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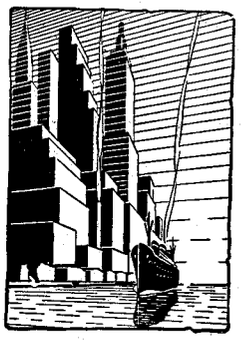
Occupations—Today and Tomorrow

By Berta Crone



DEAR MEREDITH:

You ask me for a word on present day occupational opportunities for men like yourself. In asking for my views, I know you hope that I can give a neat little formula, predicated upon twelve years' continuous survey of occupations, for choosing one's work and procuring a job.

●

Well, I can't; I am not an oracle. But, if I can be useful by telling you some of the more obvious truths, or what seem so to me, about occupation-choosing, I am glad to do so. To begin with, "career-choosing" seems an absurd notion to me, for the single reason that the age into which one happens to be born has much to do with determining the kind of occupation that one will follow. For instance, today we have radio broadcasting and motion pictures. Who could have "chosen" these fields as careers fifty years ago? Yet these two fields, one stemming from the invention of the radio and the other from the magic lantern and the camera, have created many new kinds of work, and thousands of jobs and occupational opportunities. The special problems and pre-occupations of your era are your occupational market. They determine the kind of occupation you will follow. Human needs must be served and human effort must finds its occupational satisfactions in thus serving. As these vary and evolve so will work or occupations vary and evolve. Your task is to discover what some of these present day needs are and your own capacities for work in helping to meet them.

As I listen to you and to others talk about "choosing a career" I wonder that you have learned so little from history. You seem to think that all the occupations have been gobbled up, or that men before you voluntarily and deliberately chose their occupations or were handed jobs on a silver platter. I venture to say that but for the accident of the World War many young men and women would have found it difficult to decide on occupations and to secure jobs during that period. In the 20's, just after that unpleasantness, although every field seemed to be booming, many did have a great deal of trouble deciding what to do, what work to undertake, or rather, what to do to earn a modest living. Even though there seemed to be limitless opportunities, many had great difficulties in finding jobs, especially the "right" jobs or work suited to their capacities. In that far-away period many had much more confidence in themselves, in their abilities, in their environment, than they have today, because unemployment was neither so widespread among the professional class nor so highly publicized as it is today. But some who started to earn their living then are now stranded and even hopeless, casting about for new opportunities for their talents and their capacities.

You ask about "hunting for a job." Profound changes are going on today in nearly every field of activity. I do not understand why you waste your time in seeking appointments with "successful" men, successful products of a defunct era. These men are at the top now in their professions or their organizations through a special set of accidental circumstances, such as cannot honestly apply to you or to anyone entering their field of activity today. These men do not know it; they are so remote from the realities of their own fields that they can hardly be expected to guide you. Most of them are caught in the treadmill of success, and have lost all touch with vital problems and their implications.

Being products of a past age these much publicized leaders have little of value to give you. Instead of listening to talks on careers and participating in awkward, embarrassed interviews with prominent men in their offices, it will profit you more to study their business and professional talks and behavior. If you would learn about them and the institutions they represent, read their trade and professional

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HAVE you ever tried? Have you ever attempted even the least bit of training, under competent guidance?

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If the latter course is the one of your choosing, you probably *never will write.* Lawyers must be law clerks. Doctors must be internes. Engineers must be draftsmen. We all know that, in our times, the egg does come before the chicken.

It is seldom that anyone becomes a writer until he (or she) has been writing for some time. That is why so many authors and writers spring up out of the newspaper business. The day-to-day necessity of writing—of gathering material about which to write—develops their talent, their insight, their background and their confidence as nothing else could.

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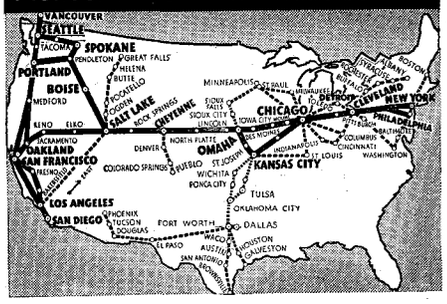

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• 4

periodicals. In these you will find trade and professional problems discussed, and make the acquaintance of personalities, ideas and new developments in the field of your interest. In trying to decide upon the kind of work to follow, it is essential, of course, to narrow one's range of interest and concentrate one's attention upon one field if possible. Not forgetting, however, that many fields are interrelated as, for instance, book publishing and bookselling, or newspaper and magazine publishing and radio broadcasting. As you read and observe the activities of a particular field you are bound to learn much about its purpose and its functions as well as about its leaders. As you are doing this you may hit upon something in which you feel a special interest and which you could do, if you got the opportunity. With this background you need feel no timidity in approaching the heads of departments, or even the head of an organization with the purpose of getting a job. In job-getting personal factors play a most important part. It is well to cultivate people in the field in which you wish to work. The intangible quality of sympathy between two personalities determines much in one's getting a job, even in one's choice of work. This personal force, indefinable in its nature, may be the open sesame to an occupation.

You, of course, realize that defects in organization, dishonesty in the leaders, low standards of service, lust for power and money are simply symptoms of decay. The pioneers of yesterday have run their course. They built, developed, boomed and served according to their standards, and the predatory ideals of their era. Foundations were laid. Some of them proved excellent; others must be reconstructed. New pioneers are needed with new ideals and ideas for serving. For instance, consider land. Our country is vast and beautiful, but land has become "real estate," not sites for homes and gardens. Many buildings in cities are empty or nearly empty while thousands are homeless and officeless. In almost any field which attracts you, you will find need of, and possibilities for, improvement. Take, for instance, advertising, a relatively new field of endeavor which has attracted many men of your calibre. It is under severe criticism for its ethics and its quality. Although discredited by the methods of some of its

(*Continued on page* 63)

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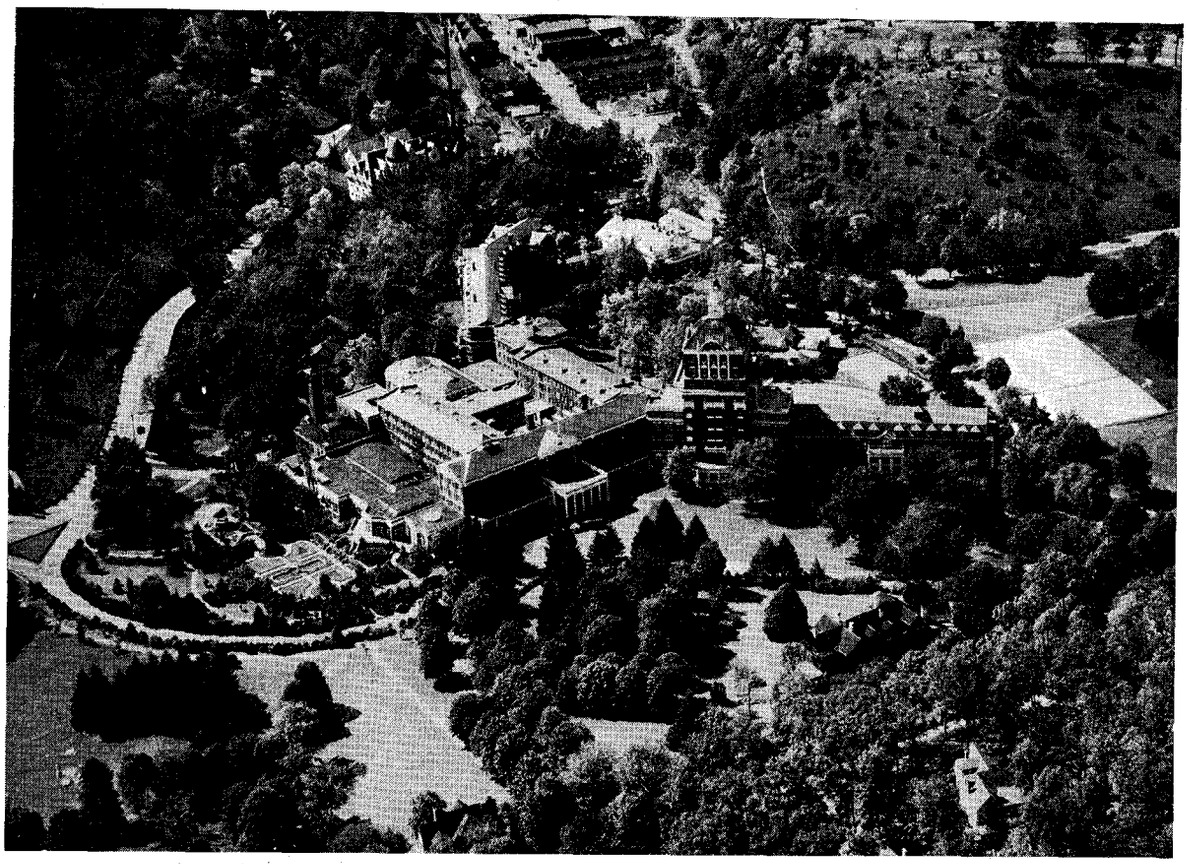

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NEW OUTLOOK

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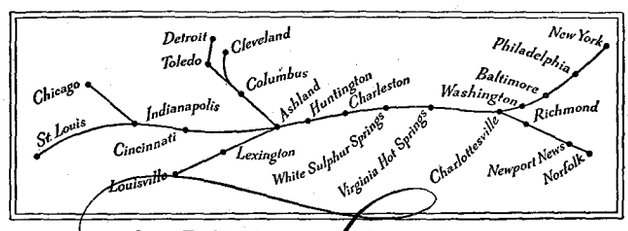

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The ticket agent of any railroad can route you on the Chesapeake and Ohio. INSIST UPON IT!

Checklist of New Ideas

ON PEACE CONFERENCES

An international conference is a place where the people of the world learn to understand each other, and then to hate each other.—*Andre Maurois.*

ON HOPE

I can explain everything. . . . —*Adolf Hitler.*

ON SIN

The cocktail hour, ingeniously popularized for profit by the big hotels of Washington, New York and other large cities, is more perilous and ruinous to young women than the old-time barroom treating custom ever was to young men. Employing the insistent influence of social custom to promote alcoholic habits and liquor sales, the cocktail hour alone is sufficient to condemn repeal as an inexcusable crime against American youth. —*F. Scott McBride, General Superintendent, Anti-Saloon League.*

ON A CLEAR IDEA

The proper comedy for the screen is visual. Films try to get too many laughs out of dialogue. We use pantomime, not wise-cracks. In "Three Little Pigs" we used more talk than ever before.—*Walt Disney, Creator of Mickey Mouse.*

ON REVIVAL OF RELIGION

Religion is sick, but it is by no means dead, and on some calamitous tomorrow it may enjoy something of a revival. That revival, in fact, is constantly predicted by specialists in human stupidity, and though it has not come so far it may be on us after the next World War.—*H. L. Mencken in "Treatise on Right and Wrong."*

ON PROPHETS OF DOOM

Certainly it is hard to imagine Christians taking the breast-beating of the current Spenglers gravely, with so many far more eloquent and convincing prophecies of doom spread before them in the inspired textbook of their faith. If they actually believe, as they pretend, in the inevitable advent of the horrible monsters described in the Book of Revelation, then there is no excuse for them being alarmed by a few Nazis and Bolsheviks.—*Ibid.*

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NEW OUTLOOK

But Is It a Surplus Economy?

By Robert R. Doane*

PETER PANACEAS, seeking to conquer a newly fabricated world of plenty, have found the going pretty hard.

Fighting phantoms is like that. So is the hard, long, laborious journey toward any mirage. The reward is disillusionment, despair, and sometimes complete annihilation.

No matter how carefully the expedition has been planned; no matter how deep burns the hope of accomplishment; nor how defiant, how eager, or how honest the desire—stark realism will inevitably arise to confound, confuse and conquer—in the end. Attest—the findings of the government's own undertaking, as revealed in this article.

Combating but the shadows of imagined things has been, and still is, a definite part of the socially enforced technique of politicians whose easy optimism consists chiefly in appealing to the slothful dreams of man. As the major portion of any electorate can only understand the simplest form of interpretation, these shadows may be made to change their patterns, and, through enlargement, intrigue and trap the minds of men.

For a full decade we in America have been treated with a vast verbal portrait depicting a "surplus ecomony." A canvas has been hung before our eyes—covering the real needs in the distance—portraying a bountiful Utopia; a canvas which has served to blur the real landscape as it presents the distorted, synthetic concepts of innumerable well-meaning, although romantic and exaggerated imaginations.

The concept of a surplus economy is not new. It has appeared with astonishing regularity at every crisis since the Napoleonic Wars. The redundant contention of an ever widening variety of individuals—eager for some fresh and glittering intellectual currency—has been that this *paradox of plenty* represents a new phenomenon entirely peculiar to our America of the past few years. This concept of poverty in the midst of plenty, whereby our surpluses have become the very source of our distress, has penetrated throughout an amazingly large section of our people. It has become a part of the "thought currency" of the man in the street. It has been given velocity by the socialists, the communists, the technocrats, the new economists, and last, but not least, the New Dealers.

When further inflated with the idea that all privation and want are but artificially enforced phenomena in the face of a plethora of resources, we find in it a new fulcrum around which is swinging the most amazing variety of economic and political topsy-turvy doctrine since Rousseau set the world on its head by proclaiming that all heads were equal—regardless of what might be in them.

Such a reiterated major premise of abundance, like all promised lands of milk

*See Author's Note, Page 64.

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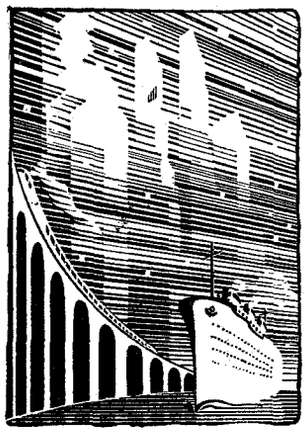

and honey, was in itself a highly acceptable concept, whether or not it be clothed with more fantasy than reality. It represented the missing link in the long chain of arguments that a struggling people have been developing since Karl Marx wrote *"Das Kapital."*

Under a deft manipulation the senses of men often become obsessed by such a shifting mirage. At such times judgment is tricked and robbed of its rightful conclusion. From the standpoint of social motivation it is not *what is,* but that to which the mind can be made *to attend*—that all too frequently passes for reality. Such illusions also shape the interpretation of what is seen. The evidences of common sense become twisted, a form of mental astigmatism sets in, and the normal sequences of social thought get out of line. This, at least appeals to the writer as the only logical explanation for the mistaking of the mirage, for the attendant debasing of the science of statistics, which has led by various and devious roads of political thought currently held that salvation lies in the redistribution of wealth and a forced disbursement of a total surplus economy which does not exist.

●

Such abnormality of thought naturally seeks to justify its right to be. Simple fact becomes looked upon askance. Wishes dominate, while convenient theories of causation are innocently brought into play to further befuddle the reason. Isolated facts, statements and findings, peculiar in themselves, are brought together to form such a patterned mosaic as already lies behind the eyes. Especially is this true if the instances contain an emotionally exciting idea

Politics, culture, climate and economics—though related—are perhaps not one and the same thing. Yet each election period we learn that unemployment, hard times and bankruptcy are chiefly the fault of the opposing party. Political and social theorists, upon finding surpluses in some divisions of the economy, readily assume that we have a surplus *in toto*. It presents a witching argument. But it is played with loaded dice.

Facts—those brute beasts of the intellectual field—all too often indicate hard and stony roads, hot sun, parched tongue and a long winding journey. Illusion paints the lotus tree, the cool babbling brook, ease, comfort, security and positive reward. It is attractive. It appeals. And the mind deals only with the materials it possesses.

Of such stuff has been the nature and character of our present day mental mirage, upon which much of the New Deal planning is based. Yet the very essence of our present problems has demanded far more than a surface transcendental homage.

We, in America, like to indulge in the pleasantry of superlative description. We like to hear our resources described in grandiose terms. The wearing and fatiguing exploitation of a new continent has demanded such glamor.

But is it a surplus economy? Or is there lying pregnant within the economy some such meaningful potential? And does not the possible future await all surpluses?

Therefore it has been suggested that before we initiate too many New Deals it might be prudent to count the cards. To examine, as it were, the deck.

One would be inclined to consider that, after 150 years of our independent existence, a comprehensive inventory of our resources, both present and potential—raw, processed, instrumental, institutional and human—would be of value; in fact should be almost an imperative duty of any intelligent government of progressive peoples.

●

Such a quantitative inventory, covering the entire economy—disclosing capacities, resources, bottlenecks, potential forces, and their geographic distribution in relation to one another—should prove indispensable as well as epoch-making in the irrefutable factual basis it would supply as a sound foundation for the development and orderly prosecution of all constructive public and private programs.

Toward such a task the National Survey of Potential Product Capacity has bent its effort. Without fanfare of publicity, this governmental agency, with a staff in the nation's political capital at Washington, a staff in the nation's commercial capital at New York, and a field staff covering the country, has been silently and diligently under way during the past five months. During this period of time the largest mass of factual data ever accumulated in history has been examined, brought together, collated, classified and correlated. It has been a laborious and painstaking undertaking, encompassing practically every category of economic effort. The work is still not fully complete, yet enough has been gleaned in the major fields to throw unprecedented light upon many hitherto darkened quarters. Let us review a few major findings, especially in these fields that contribute the major portion of our total national income.

Of all prime and indispensable essentials food stands first. In the absence of a satisfactory standard or criterion, suitable to all schools of economic thought, whereby a surplus can be readily identified and measured, we can safely accept the yearly food requirements, *per capita,* of the U. S. Department of Agriculture. Reduced to its simplest terms the picture stands as follows:

STANDARD DIET

Annual Liberal Diet* (Pounds per capita per year)		1929 Peak Production (thousands of pounds)	
Items	*Pounds*	*Deficiency*	*Surplus*
Flour and cereals	100	.....	16,022,612
Milk	636	26,967,000	.....
Potatoes	155	.....	1,030,670
Beans, peas, nuts	7	.....	1,396,240
Tomatoes, citrous fruits	110	1,382,926	.....
Leafy and other green veg.	135	7,300,936	.....
Other vegetables and fruits	325	12,326,000	.....
Butter	35	2,234,688	.....
Fats, bacon and lard	17	.....	2,833,000
Sugar and molasses	60	2,461,450	.....
Meats, including fish	165	1,986,265	.....
Eggs, (individual eggs)	360	13,723,370	.....

*(Circular 296, U. S. Dept. of Agriculture.)

On this basis the most accurate figures disclose an annual deficiency of approximately 27 billion pounds of milk, (the equivalent of 13 billion quarts) a deficiency of 1⅓ billion pounds of tomatoes and citrous fruits, a deficiency of more than 12 billion pounds of fruits and green

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vegetables, a deficiency of 2 billion pounds of meats, and more than 13 billion eggs and 2½ billions of pounds of sugar.

In other words our so-called "economy of plenty" with its 527 million acres and its 6 million farmers has failed (not only in one year but in a five-year average test) to meet the adequate food requirements of its people to the astonishing extent of nearly 100 billions of pounds of food stuffs!

In order to make up a large portion of this annual food deficit we were forced to import some 22 billions of pounds of food.

Surely, under no stretch of the imagination, can this be termed an economy of abundance.

Let us next turn our attention to shelter—that second ranking human necessity. Here we encounter an even more appalling story. The findings indicate a present accumulated shortage in excess of 6 million dwellings. On the basis of modern sanitary and living comfort standards it will take the American people 15 years at an annual outlay of 10 billion dollars to bring our housing facilities up to a reasonable level. It has been conservatively estimated that on the basis of normal population increase plus losses from obsolescence and disaster there is a current minimum need for the construction of 500,000 dwelling units per year. Upon preliminary evidence from the Real Property Inventory of the Department of Commerce we find almost 2 per cent, or more than half a million, of American residential structures to be "unfit for habitation," also some 53 per cent are in need of repair, with approximately one-third of our dwellings more than 50 years old and 10 per cent more than 75 years of age. One fourth of our houses are without bathtubs, 14 per cent are overcrowded, while almost one-half of our homes are still heated by stoves.

●

Recent findings indicate that we need to build new homes at the rate of 2 million per year during the next five years in order to keep pace with population growth and make up our current housing deficit.

Yet our capacity, due to present limitations in supplying materials, transporting them, and in construction technology, will not permit, today in America, the building of more than 200,000 such structures per annum. (It will be kept in mind that these are physical quantitative restrictions, and are not to be confused with purely financial problems.)

Next, after providing ourselves with food to sustain life and shelter from the elements, clothing ranks as the third great essential. Here let us see, on the basis of capacity, how we are prepared to clothe ourselves.

In the great prosperous year of 1929 the male population of the United States were supplied, on a *per capita* basis, with a bare one third of a garment of new outerwear. *While, at the same time, the capacity on a plant basis was barely able to supply a fraction less than a single new suit of clothes for each male.* In other words, in this land of plenty, where two new suits of clothes per year might be reasonable expectation, the American ability—with existing plant equipment and material capacities taken into consideration—disclosed a deficiency of some 66 million suits. For the female population, which fared much better than the male, there was barely one-half garment (skirts, ensembles and suits) *per capita;* while on a minimum living standard basis of two new outer garments each, the deficiency was in excess of some 52 million garments.

Yet in 1929, in order to supply our population with barely one-half a new garment each, we were forced to import more than one-half billion pounds of wool and cotton, to say nothing of other fibres. And had we then had the mechanical capacity to supply two full garments each we would have been forced to increase our supply of cotton, either by additional importantion or cultivation, by a full 5 billion pounds; and our wool by more than 1 billion pounds, which means an increase of six times our present number of sheep, and an additional 17 million acres in cotton cultivation.

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Thus the deficits mount, when envisaged in terms of a modicum of living comforts. And we have thus far only touched the surface of that long list of goods and services which make up the daily living needs of 125 million American people. Our transportation equipment would be taxed to the utmost if we were to attain but 50 per cent of this standard. If we are able to resume the 1929 level of production our electrical power utilities will become an exceedingly grave problem. Besides all of this there is need for an additional 40,000 miles of surfaced highways, the replacement of several million automobiles, pipe lines, water and gas mains, sanitary sewage systems, hospitalization, public structures, educational buildings, and so on down an interminable list of both producer and consumer goods, to say nothing of services.

In this newly invented land of plenty—"America Self-contained"—we also are under the necessity of importing huge quantities of manganese, chromium, tin, nickel, tungsten, cobalt, vanadium, antimony, graphite, mica, platinum, potash, cryolite, mercury, asbestos, camphor, cork, hemp, manila fibre, jute, hides, skins, furs, flaxseed, rubber, silk, wool, carbon, coffee, teas, cocoa, sugar, spices, hat straws, linen, brushes, casein, rattan, gums, resin, palm oil, olive oil, cocoanut oil, tapioca, drugs, opium, quinine, cocaine, licorice root, ergot, nux vomica, ipecac, castor oil, menthol, flavoring extracts, etc., etc. The aggregate total of which seriously pricks a dangerous hole in current concepts of autarchy.

In subsequent articles in this series the problem of these related resources, capacities and forces will be handled in more detail; suffice it here to ennumerate those outstanding findings which are of the gravest practical immediate significance, especially in the light of our current popular policies. In advance a word should be spoken regarding the organization of this survey, its personnel, method of operation, authority of data examined, and the validity of its findings.

In this survey not only has every precaution been taken to make the work as thorough and accurate as time and resources would permit, but also an unusually wide range of varying individual viewpoints have been intimately associated with each division of the work.

Charles William Burkett, Ph.D., a recognized authority on American agricultural problems, author of fourteen text books and former editor of the *American Agriculturist,* formerly professor in the University of New Hampshire and North Carolina College of Agriculture and director of the Kansas State agricultural experimental station, a conservative Republican has directed and supervised the

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Agricultural Division of this National Survey, and has worked side-by-side with Mr. Harold Loeb, chairman of the Continental Committee on Technocracy and author of *"Life In A Technocracy."* Mr. Loeb, who is one of the Loeb family of Kuhn, Loeb & Company international banking fame, whose maternal parent is a Guggenheim of the American Smelting & Refining interests, has acted as administrative supervisor of the New York division of the work.

Dr. Walter N. Polokov, management engineer and author of *"The Power Age,"* also formerly superintendent of motive power during the electrification of the New York, New Haven & Hartford Railroad, former technical advisor to the Board of Estimate of New York City, to the U. S. Shipping Board and to the government's Tennessee Valley power development project, has been in charge of this survey's fuel and energy division. Dr. Polakov has been noted for his caustic and intelligent criticisms of the original technocratic thesis, and in 1933 was chairman of the Committee on the Significance of Technocracy for the American Society of Industrial Engineers.

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Arthur Dahlberg, Ph. D., author of *"Jobs, Machines and Capitalism"* and an advisory consultant to the Planning Division of the National Industrial Recovery Administration, noted for his concept that capitalism can and will survive, has acted together with Dr. William G. Roylance of the U. S. Department of Labor as referee to this survey.

Maurice N. Blakemore, M.E., former economist of the Equitable Trust Company of New York City and former vice-president of Moody's Investors Service and statistical editor of *"Moody's Manuals,"* has acted as deputy director of this survey and chief collator of data. Mr. Blakemore has been long highly regarded in the statistical profession and is noted for his researches into the public utility field under the Walsh investigation.

Graham L. Montgomery, M.E., in charge of the survey's food processing and chemical divisions, has served for ten years as technical editor experienced in food, power and chemicals for the McGraw-Hill Publishing Company. He was formerly managing editor of *"Food Industries."*

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Major Douglas L. Cullison, because of his familiarity with the work of various governmental bureaus and his specialized knowledge in transportation problems, has been in charge of the transportation division of this survey, which has embraced all forms of land, water and air transport.

In every division of the work practical, experienced and competent experts have been employed. The survey, during the past five months, has employed approximately 100 individuals, with its clerical staff recruited among C.W.A. workers both in New York and in the District of Columbia. As a government undertaking every resource of the many government departments and bureaus have been made available. Wherever definite problems involving statistical interpretation has arisen the best experienced advice of the government technicians has been promptly obtained. The same procedure has been followed throughout the entire work in securing the cooperation and advice from leading experts among private agencies, trade associations and individual concerns and corporations.

The National Survey (NSPPC) undertook to discover what production of producer and consumer goods and services might be expected if the rate of production were limited by physical factors only. Thus it covered first, the ratio of actual production to practical capacity production; second, capacity production if existing technological knowledge were fully utilized; third, the man-power required for (1) existing production and (2) for capacity production; and fourth, the degree of interdependence among industries in order to ascertain possible *bottlenecks* in the flow of materials and finished goods from the natural resources to the ultimate consumer.

Such a program necessitated the finding of three quantities, namely:

1. Existing production in units and value covering the years 1927 to 1933 inclusive.

2. Product capacity of existing plant covering the same period.

3. Product capacity if known technological improvements were installed. (This latter could not be figured on an optimum basis, but rather it was considered essential to work backward from some conservatively moderate though arbitrary criterion of consumption requirements, and then calculate from existing data the relative abilities to meet such demand,—in terms of man-power, materials, equipment, service requirements, and time period necessary.)

The next step, and as yet uncompleted part of the survey, is that of the distribution of these resources in relation to the distribution of the population.

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The work of the survey was so organized as to permit two separate investigations to proceed simultaneously; namely the major divisions of the survey itself which encompassed the following departments, each under the direction of a specialist with a corps of assistants:

1. Agriculture
   Forest products
2. Construction
   Buildings
3. Transportation
4. Iron and steel
   Non-ferrous metals
5. Machinery
6. Paper and paper products
   Printing and publishing
7. Textiles
8. Rubber products
9. Leather and leather products
10. Chemicals
11. Stone, clay and glass
12. Fuels and electric energy
13. Miscl. industries

The independent procedure has endeavored to handle our productive-power resources from the standpoint of a rearranged consolidated grouping as follows:

I. Raw materials:
   1. Mines, quarries, oil and gas wells
   2. Agricultural
   3. Forests
   4. Water

II. Instrumental forces
   1. Transportation
   2. Manufacturing
   3. Distribution

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4. Machines and tools
5. Institutions

III. Human resources
1. Physical (labor)
2. Mental (professional)

Probably the chief distinguishing feature characterizing this survey has been in the expansive nature of its scope and in the unprecedented number of economic categories it has been able to study. As an illustration it will be recalled that the largest previous study covering existing capacity alone covered barely 50 categories as compared to this survey's 421.

Returning once again to the outstanding revelations of this survey it becomes apparent that the only "abundance" in the American economy, today as well as in 1929, is one of work yet to be done. A demand of truly gargantuan proportions. Work and toil and sacrifice for a few generations yet to come.

In the face of these disclosures it hardly seems likely that the New Deal, as we have thus far known it, with its policy of productive retardation bids fare to be little more than a passing episode.

There are many other significant aspects connected with this problem of our assumed surplus. Not the least of these is whether the continuous consumption of existing consumer durable goods (houses, furnishings, motor cars, etc.) is more important or exerts more influence upon the total *realized* national income than does their continuous new production. And here, again, the most careful computations reveal that we have been consistently depleting our resources at a far more rapid rate than we have been replacing them. This significant fact indicates an economy of extravagance—an economy of profligate excesses—rather than a surplus economy in the positive sense of an abundance.

But—it is said, all of this may be true, yet under a more suitable social system than that of the past or present this picture with all of its harsh realities might have been, or might be made to become, quite different. Eliminate profits and debts, we are told, and the major restrictive forces making for retardation will be done with as vast geyers of goods are automatically released out of a sheer love of production.

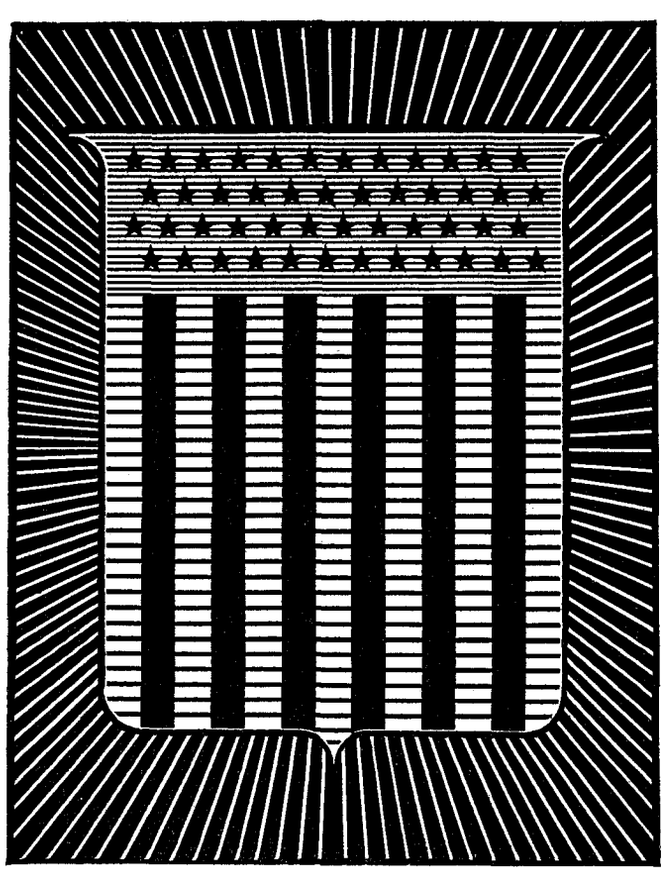
Yet an economy organized on the principle of division of labor can only function, under any system or *"ism,"* on an exchange basis. That is—one class or kind of goods is exchanged by the producers for goods of another class. And this exchange is actually effected upon a *cost* basis. In other words one set of costs become exchanged for another set of costs. Whether these costs be reckoned in money terms, in labor notes, in drawing account tickets, or in ergs makes little difference. Yet there are, perhaps, some sensitive souls who think they can enhance their aesthetic experiences by merely changing the name of the rose, or stimulate the humdrum economic outlook by terming profits as wages, or *vice versa*. These various possibilities will be discussed, in the light of our new knowledge, in succeeding articles of this series.

Nevertheless an economic myopia has envisaged a phantom wealth of tremendous socially alluring qualities. In fact—from the Technocrats to the New Democrats—it has all seemed too good to be true. It is.

It is, indeed, unfortunate to discover that the age of plenty has not yet arrived. And that all those who are today so eagerly, faithfully and expectantly supporting policies based upon such myths are relying upon the massive structure of their loyalty alone—to dwarf the evidence of fact.

Ice Age, Stone Age, Iron Age, Machine Age, Power Age, New Era Age, throughout them all—the age of scarcity declines, but *the principle of scarcity* still rules over economic man.

The second article in this series on the findings of the NSPPC by Mr. Doane will appear in the September issue of NEW OUTLOOK.



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Desert Ahead!

Aridity is slowly increasing in the midlands of America, and poses a new problem about our eventual fate. Mr. Malone discusses the question in the light of new and startling evidence and from the viewpoint of the engineer which urges a Bureau of Aridity to prevent the U. S. from becoming a desert.

By A. W. Malone

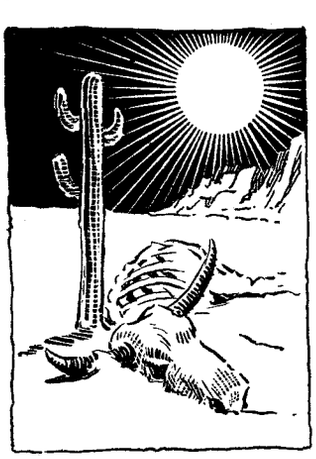
IS there danger of the desert conquering our Middle West?

Will the now fertile regions, lying between the Alleghanies and the Rockies, some day become a forbidding desert, similar to the sands that once knew the footprints of the Queen of Sheba?

Is it possible that these pleasant lands, that have been paying dividends to the plow, may become, in time, a grim barrier of fifteen hundred miles of desert, separating two political divisions that will replace our present Union, the United States of America?

Will some future archaeologist, perhaps, flying over the waste spaces of North America, become excited at glimpsing the ruins of abandoned towers marking the sites of some of our present famous cities, even as certain French aerial explorers recently sighted, from the air, the ruined temples of what once had been the glamorous capital city of Sheba?

These are some of the questions that are being asked today of those in charge of great public works planning campaigns. City dwellers generally feel scant kinship with the agricultural lands; but something happened recently to make the question of aridity of farms suddenly a personal issue to every American, dwelling in country, town, or city. A wind storm of gargantuan proportions swept from the drought-stricken Middle West, carrying hundreds of thousands of tons of dry soil into the cities—across the Appalachians—even into the Atlantic Ocean itself. This has called to mind the stories of cities of older times, engulfed in dust storms and buried under wind-driven sands. Do our own cities of the plains, or even the Atlantic Coast, face a similar fate?



Some American engineers, alarmed at the receding water levels in the Middle Western territories, fear that such calamity may come to pass. There is now before Secretary of the Interior Harold L. Ickes the suggestion that a corps of experts and engineers be organized to study aridity, which is spreading like a plague over the land, and to take steps to prevent our own land "of milk and honey" from becoming desert. It is up to Secretary Ickes to decide whether a "B. A."—(Bureau of Aridity)—shall be added to the Government's new alphabet of Federal functionalism. The proposal that our Federal government take scientific steps actually and for all time to outwit the demands of drought is the twentieth century way of meeting a problem which is age-old.

The recent drought, which has worked such ruin among crops and cattle, has acted as a spur to the technical minds that have been, up until now, engaged in a rather leisurely study of land problems. The unprecedented phenomenon of the recent dust storm in New York City, having its origin in the far, dry fields beyond the Mississippi, has caused many persons to open their eyes (only figuratively, of course!) For the first time, perhaps, people living in cities have had it brought home to them, in the lessons of this drought and the vast sums of Federal money required to alleviate the sufferings and poverty it has inflicted, that dryness in the Middle West is a national, not a sectional, problem. For the first time, perhaps, it is being recognized as a cumulative natural tendency and not as a sporadic expression of a whim of the gods. So long as nothing is done to check or counteract it, the engineers believe that the rate of aridity in this region will gradually increase, until it becomes impossible for a man to raise enough food to sustain himself.

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In such an event, migrations would occur from the afflicted lands, comparable in magnitude to the greatest mass movements in history. Such a general exodus would have startling possibilities in the changes it would bring about in our national life. Perhaps more than half the railway mileage of the country would be left high and dry in an uninhabitable waste of land neither producing nor consuming anything, nor requiring local transportation. Economically the railroads would be doomed. The rails would soon be mere streaks of rust through a howling desert, which would separate by some 1500 miles the two habitable coastal regions.

People stampeding from lands which the desert was conquering would have to be absorbed by the two coastal regions. This would produce over-crowding of the kind now existing in certain sections of the far East—cubby-hole homes, terraced hillside farms, dawn to dark struggles for bare existence such as the early pioneers knew.

The abandoned highway mileage alone would put an end

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to the present habit of transcontinental tours; the get-together spirit and the high percentage of inter-state coöperation which has been achieved, would, of necessity, become a matter of legend. Two long, narrow strips of land, hugging opposite shores, separated by hundreds of miles of desert with only the Ozark Oasis dotting its center, could hardly be depended upon to act as one unit. Sectionalism and war would certainly result. A political theorist can already visualize the Ozarks holding a plebiscite to determine the selection of their flag, their allegiance to one coast or the other—their preference for California oranges or Florida grapefruit.

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In view of the fact that our government is turning every effort toward organizing public works which will increase present employment and insure future security, the proposal is now under consideration that men be employed to check up on the rate of aridity and devise ways and means, combined properly with reforestation and soil erosion prevention, to counteract it.

Organizing such a bureau at this time would provide work for many technical and "white collar" men, the group which has, perhaps, suffered the most from unemployment, and for which it is most difficult to find suitable jobs. The bureau would render a service not only to our country as it exists at present, but to many future generations of Americans for whom it would guarantee our national permanence. At the same time, the cost would not be prohibitive, and the Federal government could probably assume it without further taxation.

As to the matter of cost, it is pointed out that proceeding in a haphazard manner is always more costly than following a properly planned schedule; and the cost of this one plan would result in saving the homes and livelihood of millions of people now residing in the Middle West, not to mention those who will come after them.

Since the dawn of history it has been the custom for nations to spend stupendous sums of money to protect their territory from future hazards in the form of enemies. Huge armies and navies have been maintained at great cost to protect territories, worth less than our Middle West, from conquest. We spend immense sums for protection against future hazards in the form of disease, and to protect our future citizens against illiteracy and paganism. We are insuring ourselves against possible other disasters, in our programs for old-age and unemployment insurance, grasshopper and flood control, and the like; and none of these problems is more significant than the need of protecting our extensive food-producing acres from the inroads of aridity.

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We can remain a great nation only so long as we can retain fertility in the soil that must support our national life. Mr. Hugh H. Bennett, Director of the recently organized Soil Erosion Service, believes that the process of land impoverishment is the "deadliest challenge to our national permanency"; and that it is a national problem that "outstrips any of the temporary economic worries about which we have heard so much recently."

This is a problem that requires all the more attention because it does not present a hideous and alarming face to the layman, such as the immediate havoc manifested by earthquake or flood. Aridity is insidious, like a cancer growing and enlarging in the bosom of the earth. The farmer himself scarcely recognizes the symptoms; the city man generally is unaware. And so the moisture retreats from the ground and the rate of aridity advances, until some day we may find that industry's back yard, mainstay and support — our agricultural lands—are about as productive as the cinder hills in the coal-mining districts.

Those who scoff at the possibility need only be reminded of the great tracts of desert which once were "lands of milk and honey." The land once ruled by the lavish Queen of Sheba was so rich that it could send gifts of unrivaled magnificence to the already spoiled and pampered Solomon. Yet only a short time later, comparatively speaking, it was a gaping desert, of such forbidding proportions that in our day it is largely unexplored and unknown. This incredible fate befell Sheba's storied land in only a century or so, a land almost identical in size to that portion of the United States bounded by the Rockies, Canada, the Alleghanies and the Gulf of Mexico: proving that preposterous changes can occur in countries apparently blessed with permanent natural prosperity.

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Even the dreaded Gobi deserts, that fling their sands hundreds of miles to madden the cities during a wind storm, were once fertile, life-giving and tree-grown. In fact, many pages of history are filled with accounts of once populous regions transformed into desert, and distant thriving cities buried under wind-driven sand. Therefore, it is not too much strain upon the imagination to suggest that, unless early action is taken, the not too distant future may see our great Mississippi River flowing languidly through an arid land, even as the Nile, kept alive only by its mountain-sourced tributaries. The great tragedy of metamorphosis from glowing wealth to sandy oblivion in Egypt and Arabia might be re-enacted on the stage of our own great Middle West. Engineers now petitioning the Federal government know this.

Many are the indications of the increasing and cumulative aridity in the Middle West, very positive in character to those who can interpret them. Many millions of people, however, who would be directly and adversely affected by the loss of fertility in these regions, have been watching the drying-out of the soil over a long period of years, with no idea of its ultimate significance. The nation's army for reforestation was the first admission that "something could be done about it," that man, who had denuded the soil, could reclothe it.

The terrible misfortune of recurrent droughts and other indications of increasing aridity, in the once tree-grown territories, are directly due to the picturesque log-rollings of earlier days, when the pioneer's crowning accomplishment was the reclaiming of land from the forests. Thick forests of the finest hardwoods covered rolling hills and plains that now stretch bare to the horizon: hickory, ash, elm, oak, walnut and maple, worth a king's ransom today!

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These mighty monitors of the forest also guarded the soil which nourished them, acting as a screen against the thirsty rays of the sun; but to the frontiersman who was hewing his way to a home and a piece of land on which to farm, they were merely obstacles in his path.

The lush undergrowth, and the inches-deep leaves of yesteryear, helped to preserve the moisture in the ground. Even during the dry, warm summer, the ground was always wet. Indeed, it was often knee-deep in mud under the carpet of leaves. So lavish did Nature seem then, with her tears and moisture-guarding growths, that there was no thought of future droughts as the big log-rollings got under way. Who among the frontiersmen could picture that rich land, the planters' dream, one day lying sunbaked and parched? So hickory and oak, ash and elm, fell before the axe, and were consumed in the flames of community "bonfires"—burning being the quickest way of getting rid of the logs.

Log-rolling has sometimes been confused with the logging process in lumbering, where timber is slid into a stream and borne by the current into the lumber mill. The old Middle Western log-rollings differed from this in that no good use was ever made of the logs. The clearing was the thing: land for cultivation was the prize; the logs were of no value and everybody had more than he needed and to spare.

The log-rolling was something of a social institution at that time, and was the occasion for merry assemblies, festivities and gossip. Neighbors for miles around participated, men and women and children coming by horse and on foot. The men were armed with "hand spikes"—sticks of strong, polished wood about six feet long and two and a half inches in diameter—and the women carried food and utensils. The champion "strong man" and "rassler," the "rough and tumble" fighter, all came to the site where the great trees had been slaughtered, the limbs trimmed and piled and the huge trunks cut into suitable lengths for handling.

Prodigious feats of strength were the order of the day and there was great rivalry in handling the heaviest logs. Usually two handspikes were laid on the ground at right angles to the log; the log was rolled into place centering upon them; and four men then picked it up and carried it to the main pile. After their labor, men found entertainment in fast and furious "rasslin" matches, which all too frequently ended in a "rough and tumble" of no mean proportions. Many a tooth and an ear went into the log-rollings. And many tons of home made pork sausage, home-cured ham and all the "fixin's."

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Not only is it difficult to picture such festivities as these were, if you happen to have been born—oh, quite recently; it is also difficult to realize that this obsolete performance plays an important part in our modern drama, having a tremendous influence, in fact, on our possible fate of tomorrow. The meaning of the term "log-rolling" has changed with the years. It has acquired a present-day suggestive quality unrelated to its original meaning, and is still in the throes of linguistic evolution. It may attain yet another significance, one more sinister than its present political tinge, as future generations of Middle Westerners trace back to the old-fashioned log-rollings the beginning of what may become the Great American Desert.

I witnessed the closing decade of these log-rollings, amidst knee-deep mud, where there has been no mud now for a score of years. During the so-called "Gay Nineties," I drank water from settlers' wells only twelve to fourteen feet deep, where these wells are now many feet deeper or—dry. I participated in the laying of many miles of drain tile ditches. I learned to swim in streams which now are mere threads of moisture. And I find that a comparison of conditions at that time with those existing in the same localities today is startling to anyone with half an eye, and some consideration for the welfare and future of this region.

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Every day in the year, streams used to carry much larger volumes of water. Now for only a few hours after each rainstorm are they more than dribbles. Water runs off the fields exactly as it runs off a tin roof, and is carried away by the streams exactly as a rainspout carries it pouring from the roof. Contrast the running of water off a tin roof with the slow drainage of water through layers of sponge, and you have some idea of the comparison I wish to make between the moisture-retaining power of the land in the days before it was shorn of its forests, and the naked soil today, that lets rain leave almost as it comes. Nothing has taken the place of the flow-retarding forests.

Forty years ago, the streams were bordered, usually along both banks, with wide swamps which were crowded with calamus, cat-tail, flag and other swamp plants; and which provided fine wild-duck shooting. As general drainage was accomplished, the fields kept encroaching upon the swamps, until now the plow comes up almost to the water's edge.

If it is decided to inaugurate the study of Middle Western aridity, as proposed by some engineers, it would be timely in view of the programs of reforestation and soil erosion prevention now under way, as the work could be synchronized to save considerable expense and accomplish more far-reaching results. The idea would be, in coöperating with reforestation for instance, to locate reforestation projects to serve the five-fold purpose of: (1) supplying timber; (2) preventing soil erosion; (3) taking out of farming service sub-marginal lands; (4) conserving soil moisture; and (5) inducing precipitation. To accomplish precipitation it is not necessarily the acreage of timber involved, but rather its scientific geographical distribution.

The proposed study would definitely establish which districts, within what period of time, would require irrigation. In coöperation with soil erosion prevention plans, dams could then be located in such a manner as to form storage basins, for storage of what would otherwise be run-off water, which could ultimately be used for irrigation of adjacent farm lands; thus serving the double purpose of storing irrigation water and preventing soil erosion according to the present day theory.

The word "theory" is used advisedly, in this connection, as to many people the phrase "prevention of soil erosion" is misleading. The precious humus-bearing top-soil is valuable to the farmer only when it is distributed over the surface at every single square inch of his fields. This is his only means of producing a crop. When the rains wash and carry the topsoil down the corn or wheat rows into settling basins formed by dams across ravines and creeks, the field has definitely lost forever that particular top-soil. The water that carried it away does not reverse the process and carry it back whence it came.

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Thus, the "prevention of soil erosion," as now being practiced, merely delays the formation of relatively small ravines and gulleys in tillable fields, and causes the precious top-soil to be deposited in piles behind dams built across rivers, creeks, ravines and gulleys, often many miles from the point of origin. It is estimated that something over three billion tons of this soil are washed off of our farms and pasture lands every year. It is still retained within our boundaries, under the Stars and Stripes, but not for the farmer whose field surrendered it, nor under conditions where any other farmer may use it. The movement is a step in the right direction, but far from a permanent and practical solution.

The diminishing flow of the streams year by year, together with a corresponding dropping of the water level in wells, is the clearest indication of the trend toward progressive aridity. Wells which yielded generous supplies of water only forty years ago, are now dry, or have been driven much deeper to reach water. To the layman, this slow, gradual process of lowering water levels may not be significant. It will be a long time before it will be seriously considered by those who are uninterested in planning for the future, who have no thought of responsibility for the happy planting grounds of their descendants. But to the thoughtful, it presents quite a different aspect. Even the most superficial analysis reveals the fact that this tendency is insidious; dangerous as a disease which develops slowly and often gets a death grip before the danger is realized, and after it is too late to apply a remedy successfully. The process is almost imperceptible, and even after the water level has already dropped several feet in a few years, yet the caution of the Middle Westerner has not been aroused, nor has his attention been called to the danger.

The first impression of the lowering water level by so many feet, over a certain period of years (say about ten to twelve feet in about forty years), is that the rate of aridity is so slow it would take centuries to produce permanent drought. This sense of immediate safety, however, may be a cloak of deception. The rate of aridity will probably accelerate and be cumulative in its action. If its progress continues unchecked, it might well reach the danger stage and cause real privation during the next fifty to seventy-five years. The range of capillary action is limited to only a few feet. Therefore, when the water storage characteristics of the soil have been eliminated by the drying out of the upper strata involved in this range, it then ceases to get the stored assistance from below and must depend entirely upon water supplied from above. With the present quick run-off of rain water, only the thinnest top layer of soil absorbs any moisture to speak of: and at best, only enough to sustain plant life for a very short time.

It is inevitable that there will be increasingly longer intervals between rainfalls, which will speed up the rate of aridity. Thus, once the capillary range has been reached and passed, the end of crop production, without irrigation, is in sight.

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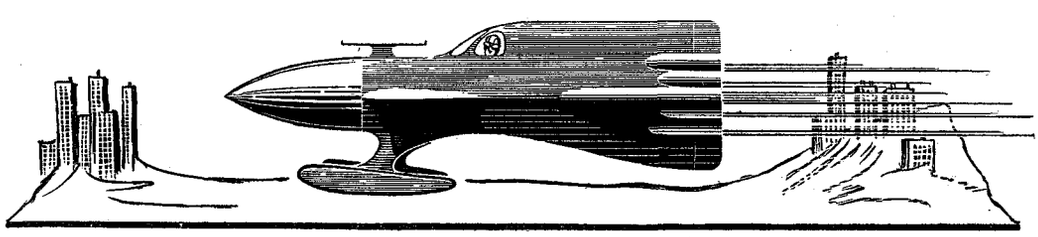
This, however, it is believed, can be indefinitely postponed or completely averted. Engineering science includes the means of fully and accurately ascertaining contributing reasons for, and probable causes of, such possible calamity; and it is also capable of prescribing practical means to circumvent it. There is no doubt whatever that a competent board of study could, at this time, reduce the whole problem to figures and plans of such accuracy as to remove the question of aridity entirely from the field of theory or controversy.

It is within our power now to devise and apply means to preserve forever limitless productivity in the pleasant lands that lie between the Alleghanies and the Rockies. We can take steps now which will assure our being forever a well-fed nation. And unless we do take some early action, we may be subscribing to the slow death of even the largest of our cities of the plains. People may read over their morning coffee in the *"London Times"* issue of July 31st, 2234, that Professor Whichanso, the flying archaeologist, in a flight across the Great American Desert, believes he has located the ruins of the lost cities of Chicago and St. Louis. . . .



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Babbitt & Son Go Red

What progress Communism? Considerable, the writer reports, in the upper brackets of the white collar class, and in the schools of the nation. This article examines the method by which the new recruits are made and poses a challenge to the conservative leaders.

by Martin Sommers

ON a stifling Saturday evening of the current summer what are politely called the exigencies of journalism yanked me from beneath a beach club parasol and left me perspiring aboard a train bound for Manhattan. Beside me, to my surprise, I discovered a successful young corporation lawyer, wearing a hot blue wool suit and a maroon tie. I was surprised because only a few hours before I'd seen him, in white flannels and polo shirt, disporting himself on the club beach sands with his seven-year-old son and four-year-old daughter.

"What brings you to town on a night like this?" I asked him.

"The rally at the Garden," he answered.

The only rally at the Garden, I happened to know, was a mass meeting of Communists to protest Hitler murders. I could not imagine my handsome and scholarly acquaintance, who works for no such firm as Shyster, Flywheel, and Shyster, but gets his $10,000-to-$15,000 a year as a "coming-man" in a firm boasting some of the most sonorous and conservative names in America, deserting the cool sands and beautiful people of the beach for a gathering of sweaty, uproarious and tiresome Reds in the sun-baked confines of Madison Square Garden. So I asked him if I had heard him aright.

"Oh, yes," he answered. "You see I'm one of the vice-chairmen, and I've got to be there."

"Well, but, are you a Communist?"

"Yes," the attorney answered lightly, "I've been both a Republican and a Democrat and today I think the only thing you can decently be is a Communist."

The information was indeed pretty shocking. Professionally nobody in the country is more devoted to preservation of the rights and properties of the privileged classes of capitalism than this young lawyer. His job is the conservation of the estates of deceased rugged individuals and the safeguarding of the old-fashioned rights of big corporations. Yet by political faith, in his private life, he is a Communist and he makes personal sacrifices for that faith. In addition he risks losing his job and the pleasant fruits which twelve to fifteen years of hard legal labors have harvested for himself, his wife and his children.

Are citizens of that type, with so much to lose, becoming active Communists? I decided to find out. I discovered that some of them are—although at this time the reasons for taking such a step, as advanced by them, are more important than their numbers. But, most important of all, I discovered that a great many of their children, now in schools and colleges, are becoming active Communists because, with the corporation lawyer, they think "the only thing you can decently be is a Communist."

Now this is no A. Mitchell Palmer scare, nor Hamilton Fish story, nor piece of Red propaganda, since the writer is neither a Fish nor a Red. But it does propose to be a report on an existing condition today in the United States and an opinion on what to do about it.

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In recounting my discovery of good citizens and solid Americans turning Communist I do not propose to argue the cases of Corliss Lamont, son of suave Thomas W. Lamont, the distinguished front partner of J. P. Morgan & Co., or Alfred M. Bingham, son of rock-ribbed Republican Hiram Bingham, capitalist and former United States Senator from Connecticut. Recently young Bingham was sentenced to thirty days in jail and young Lamont was arrested at the same time because they joined Communists and strikers in militantly picketing a Jersey City furniture plant. So far as I know they are very good citizens who have turned radical for sincere, intelligent reasons. But if they are they will not be so acknowledged by the public because they are sons of "great men." The unreasoning public prejudice against sons of rich or "great" men is so violent (It is much easier for a rich man to get into Heaven than it is for his son to get people to take him seriously!) that they are certain to be set down as crackpots or parlor pinks if they show radical tendencies. That is why I am not arguing the case of Bingham or Lamont, although everybody who knows the Lamonts knows Corliss always has been considered far brighter than his brother, Thomas W., Jr., who now is following in the footsteps of Thomas W., Sr., so dutifully.

But I'd like to give you the case of Paul P. Crosbie, of Sunnyside Gardens, Queens, New York City (you'll find his name in the 'phone book), solid citizen, insurance broker, good husband, worthy father and patriot who has proved his love of this country. I'm sure you'll agree, when you

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know Mr. Crosbie of Sunnyside Gardens, that nobody can call him a crackpot. He is a composite photograph of the best type of American citizen and his deeds have proved his devotion to the very noblest principles of what Republicans and Democrats call Americanism in their Fourth of July speeches. Yet Mr. Crosbie, of Sunnyside Gardens, recently became a red, red Communist, is crusading for the Communist party now and intends to fight it out on that front throughout his lifetime, no matter what the cost.

Crosbie was born a minister's son in rural Wisconsin and he knew hard farm work in his youth. He worked his way through Lake Forest Academy, outside Chicago, and went on to Harvard, where Franklin Delano Roosevelt was a fellow student at the time. They studied under the best set of savants in Harvard's illustrious history. After graduation from Harvard young Crosbie, a lover of the soil, tried dry farming for a few years in Western Kansas and fared no better or worse than most of the dry farmers in the Western Kansas of that day. He came to New York City flat broke in 1909, got a job in the insurance business and worked so hard that he became quite quickly a prosperous broker.

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Along came the World War. Crosbie believed his country menaced. At thirty-six, the father of five children, he enlisted in the Army. He was graduated a second lieutenant from the First Officers' Training Camp at Fort Myer, Va., assigned to the 313th Field Artillery, and sent to the front. He won promotion to first lieutenant through gallantry in leading his men at San Mihiel and in the Meuse-Argonne, where he was under fire for fifty-four consecutive days. When the war was over he returned to insurance with redoubled vigor.

Crosbie prospered moderately but substantially. He bought a nice house in country-like Sunnyside Gardens. He was known as an agreeable golfing companion, a better-than-average contract bridge player, and a sporting trout fisherman. He also was a leader in American Legion affairs, the Queens Parent-Teacher Association and the community social life. His insurance brokerage business at 130 William Street was good and he was acquiring a fortune which would give him more time for trout fishing as he grew older.

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Along about the time the matter of how this country was being governed began to be of economic importance to the people in it—in short, after the Wall Street crash—Crosbie, in common with a great many other business men, began to take an interest in politics. He saw abuses clearly and sought to correct them through working from within the dominant party. He was an able Democratic district captain in Queens for four years, trying to be very practical about correcting evils. At fifty-three, Crosbie appeared to be sailing the even course of his type of American.

You can imagine the surprise, then, of the many good friends and neighbors of Paul P. Crosbie, sound business man, fine citizen, when they picked up their newspapers a few weeks ago and discovered that he had been arrested for flourishing a Soviet banner in a Communists' parade! Surely there was some mistake. But no, Crosbie blandly admitted he was Unit Organizer of the Communist party in Long Island City, Queens!

What had happened to Crosbie? Let Crosbie tell it.

"Nobody was more enthusiastic over the Roosevelt Administration than I," he told me over the luncheon table. "I actually sat at the radio and thrilled from the top of my head to my toes over President Roosevelt's inaugural address.

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"But by September of 1933 I had become convinced that the Roosevelt NRA program was designed to strengthen the hold of financed capital at the expense of the great majority of the producers and consumers. I became convinced that the two existing parties are hopeless because both parties are organized to serve the capitalist class—the Democrats as much as the Republicans ever thought of being.

"My mind, of course, had been closed to such words as Communism and Bolshevism. Like other Americans I looked upon Lenin and Stalin as the worst forms of dictators. In looking about for some political faith my mind and conscience would permit me to accept I first examined the program of the Socialist Party. After careful study I came to the conclusion that it was hopelessly lacking in vitality.

"My first contact came through looking into a New York Telephone Directory. I found the Communists had headquarters. I visited them. My inquiry about Communism from a young lady at the information desk seemed to arouse suspicion until I convinced her that I merely wished to study the principles of the program of the Communist party. She consented to recommend certain reading for me. A few days later I returned, this time with a request that I be introduced to some one who could answer certain questions that had developed out of my reading. The fact that I soon made application to join the Communist party is evidence that my questions were answered to my satisfaction."

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What were the reactions of Crosbie's relatives, friends and neighbors when they discovered that he was a parading, banner-waving Red, getting himself arrested in Communist street demonstrations?

Reactions exhibited a very sharp contrast. He showed me a letter from a brother, to whom he had been very close throughout life. The brother wrote seriously and compassionately, expressing the belief that worry over the financial situation had upset Crosbie's mind. The brother earnestly urged that Crosbie go to the New York Medical Center at once and have his mind thoroughly examined. First Crosbie laughed, and then he felt very sorry for his brother. A contrasting letter came from one of the greatest of our American educators, a man whose name is known and spoken in universities around the world. The educator heartily congratulated Crosbie and said that, if such a thing were possible, his respect for him had been infinitely increased by the stand he had taken.

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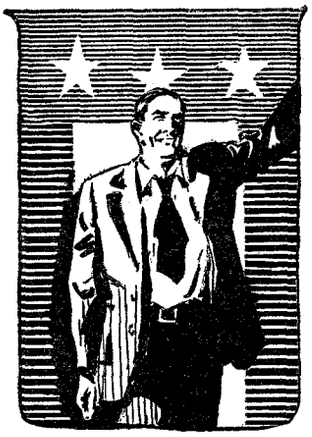

I suspected that his fellow insurance men, with whom Crosbie does business daily from his downtown New York offices, might have been moved to condemn him. He told me this was not the case. Some of them came to him and expressed their admiration for his honest stand for the principles he had adopted. One, an extraordinarily successful insurance man, said:

"You did the right thing—I wish I could see my way clear to do it. The change is sure to come."

And what about Communist Crosbie's stand as regards his wife and five children?

Well, when Patriot Crosbie, the father of five children who believed the German Empire menaced his country, enlisted in the World War he was convinced he was doing the right thing for his young and the young of the United States. As he saw it—and still sees it—he was at the time merely a medium for providing food and clothing for his children. He had adequate insurance when he enlisted, so they would have been provided with food and clothing up to maturity if he had been killed in action. He reasoned—and still reasons—that the human race would have been better off if people of his age, which was thirty-six at that time, were killed off and the young spared. As he sees it, there was no chance of a thirty-six-year-old insurance broker ever discovering a cure for cancer, say, but some eighteen-year-old who was killed, if he had survived, might possibly have made the discovery—or done something equally important for his fellow humans.

Today, in joining the Communist movement, Comrade Crosbie reasons that he is taking the best step possible for his descendants.

Comrade Crosbie's view is that he, as father of five children, will have a great many descendants. As he sees it, if the present drift of all the money in the country into the hands of an ever decreasing minority continues, his descendants will become starving serfs eventually. Although Comrade Crosbie would like new leisure for trout fishing and bridge at this time of life, he feels it is his duty to "die in the harness" working for a change of the system that will assure his descendants a just share of the resources of the country in which they are to be born.

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All of which brings us to the young of the country and the movement toward Communism going on among them today. There are comparatively few Crosbies, although he told me that he knows of a dozen or so conservative educators, and a few business men, who are so disgusted with the programs of both major parties that they are seriously considering Communism, and probably will espouse that cause. Nevertheless, their numbers are negligible. But the numbers of young Communists being trained in public—and even private—schools in the United States ought to give our Democratic and Republican leaders alike more serious pause.

Although no accurate statistics on the subject are available, surveys and various reports indicate there are about 150,000 enthusiastic, thinking young Communists in the public schools and state universities of the United States today. Not nearly that many men are enrolled in the American Army. And the figure is a minimum—some estimates place the scholastic Communists at 250,000.

The total is increasing. The National Student League, twenty-seven chapters of which marched solidly in the last May Day parade in New York City, is responsible for new recruiting daily.

Naturally Communists in the schools are most plentiful in New York City, where some place the total at 50,000 or more. But the National Student League is just that—national—it has active branches, with school pupils as recruiting sergeants, in Chicago, Detroit, Cleveland, San Francisco, Los Angeles, New Orleans, Baltimore, Denver, Providence, Mobile, Birmingham, Kansas City, Boston, Little Rock, Atlanta, Des Moines, Minneapolis, St. Paul, and Duluth. Enrollments vary from five to 2,300 in a single city.

The league, directed diligently by some of the coldest and keenest minds in the Communist party, is especially active among Negro students in the South, where it has been very successful ever since the Scottsboro case. Communist teachers, whom we'll examine in this article, see to it that the students are fed Red doctrines in vivid and flamboyant literature.

I happened on pamphlets of the literature secretly sent by Communist teachers to members of the National Student League for distribution throughout the country. The pamphlets generally denounce the Boy Scouts and R. O. T. C. The chief preachment of them all is "struggle in coöperation with that class which has everything to gain by a new social order and nothing to lose, the working class."

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One pamphlet, secretly distributed around public schools in all the cities mentioned above, read:

"Professional patriots, local, Federal, and State Governments are uniting to destroy the educational opportunities of the masses. . . . Boards of Education have served their money masters well. . . . Workers' children are forced to fight to go to school. . . . Bankers and business men control what shall be taught. . . . Teachers are forced to teach lies to the children. . . . Throughout the United States it is the policy of the white rulers to keep the Negro workers in ignorance. . . . Life is entirely different in the new schools of Soviet Russia. . . . Teachers have a real voice in educational legislation. . . ."

Decidedly, radicalism has joined the three R's.

The Communist teachers are seeing that it gets due prominence among the three other R's. Exactly how many teachers are workers in the Communist movement, or actually members of the hard-to-get-into Communist party, really a secret order, nobody knows. The party protects information about teachers because it wants them to keep their jobs—they are where they can do most good, the sachems of the Communist party believe. But, although many teachers keep their affiliations secret, a surprising number are willing to confess their Red faith publicly.

A piece of legislation was introduced in the New York Legislature not long ago, the Ives Bill. Nobody paid much attention to it because it looked like one of those high-sounding bills that permit a legislator to plaster his obscure name on some innocent if useless piece of legisla-

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tion and so get himself some publicity. The bill provided an oath of allegiance for teachers. In part, the oath read:

"I solemnly swear (or affirm) that I will support the Constitution of the United States of America, the Constitution of the State of New York, and that I will faithfully perform all duties of my position, to which I am now assigned."

The entire oath sounded altogether innocuous. New York City was extremely surprised when 700 public school teachers rose in wrath and indignantly protested that they would not take any such oath! Many of them stoutly announced they were members of the American League Against War and Facism, an organization which includes such Red sachems as William Z. Foster and Robert Minor.

The Communist teachers of New York, bolder than those in other cities because they stand solidly together, make their force felt in school politics, as well as in their classrooms. The two radical groups, the Rank and Filers and the Militant Progressives, have power in the Teachers' Union of New York City. Professor John Dewey, of Columbia University, head of the union's special grievance committee, summarized their attitude in one sentence:

"The leaders of the minority groups conceive that the proper purpose of the union is to join the class war, in order to promote the cause of the workers against employers."

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Wise city officials do not deny that Communism exists among the young in the schools of our country, or that it is championed by many teachers. But they are uncertain how to proceed.

The proposition was put to Mayor Fiorello La Guardia, a wise Chief Executive as well as an honest and plain-spoken one.

"What causes this Communistic sentiment?" Mayor La Guardia was asked.

"There is a great dissatisfaction among those fortunate enough to have received an education," he replied. "The reason for this is the lack of any solution of our economic troubles, or any justification of the conditions which have resulted in the maladjustment of our surpluses and our wants. I agree that there is an extreme trend toward radicalism among the educated."

"What are you going to do about it?"

"Nothing can be done about it," responded Mayor La Guardia, who is famous for wanting to do things, and then doing them.

"Any action of mine would be of no avail," he added. "My method of correction lies in the correction of the condition which creates this situation. I advocate the readjustment of economic conditions. I want to go to the root of the matter."

Can anything be done about it?

I think so. Even Comrade Crosbie admitted to me that although he has espoused Communism he believes there are honest and intelligent, if misguided, men in the Democratic and Republican parties who are industriously trying to correct abuses by working from within. Not all persons prominent in politics strive simply to feather their own nests to the exclusion of all thought of the country's welfare, even Crosbie is convinced.

But are these honest men organizing teachers and students to enthusiastic support of programs that will work toward the "readjustment of economic conditions" and get "at the root of the matter," as Mayor La Guardia put it?

If they are, they certainly are keeping their efforts a secret. The intelligent student of today, who has high principles and is interested in the government of his country, takes a look at ways and means of doing his bit. He sees the major parties very busily working at the business of making fat livings out of government. His intelligence will not permit him to escape a conviction that scarcely anybody involved in government is sacrificing anything for the country, but everybody is seeking personal enrichment through service of the country. He either decides to get his, hops in and begins grabbing (thereby doing his part to alienate the next generation), or he turns in disgust from the two major parties and cocks his ear to hear new dogmas. Today he is being trained in the schools to accept such dogmas, even if radical.

The Crosbies are not many. But the sons and daughters of Crosbies now in schools are legion.

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If our system of Democracy is to live it is up to those leaders in our two parties who are not simply professional politicians to convince the young in our schools and colleges that they are *wanted* and *needed* to correct abuses in the two parties. This can be done by demonstrating to them that there are self-sacrificing men and women now actually working to get at "the root of the matter," and by organizing them so that they can be told exactly what they are called upon to do.

Youth at present is being left to draw its own conclusions from a seat on the fence. The players inside the park ignore youth and, so far as youth can see, offer only an exhibition of how aggressive and expert they are in taking care of themselves. Outside the park accomplished Communist artists cordially invite youth to look at a picture of how beautiful a pageant the show might be.

The Communist artists convinced Crosbie, a mature, balanced business man, to turn from the selfish players inside the park and devote his life to making the prophetic picture come true. They will easily convince youth in increasing numbers if the players continue to play for the benefit of themselves alone.

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The New Deal's Personnel Problem

A managed economy, completely controlled by centralized government, presents an unsuspected problem in personnel. A serious crisis approaches in Washington, the writer states, in the situation of finding the "right" Democrat for the right job.

By William E. Berchtold

It may seem paradoxical in a nation burdened with 13,000,000 unemployed to say that the New Deal's biggest problem of the hour is one of qualified personnel. Nevertheless, that is the fact. It has been a source of growing concern among those responsible for many phases of the Roosevelt program until now it threatens to throttle the effectiveness of the whole structure erected to carry out the notions of social justice which underlie the New Deal philosophy.

There is no shortage of worthy party workers whose ardor outweighs their ability to fill governmental posts. They still line the outer offices of Senators and Congressmen from every state and district. They buzz about the capital with notes from their Democratic National Committeemen. They are so willing and so numerous that they constitute a serious embarrassment to those who undertake the task of fulfilling the economic and social implications of the New Deal.

If there is any plan to the New Deal at all (and at times the confusing advances and retreats make it appear to be without the barest thread of a plan), its foundation stone is governmental control of the nation's social and economic structure. The National Industrial Recovery Act, the Agricultural Adjustment Act, the Securities Act of 1933, the Stock Market Regulations Act and most of the other basic legislation have headed the New Deal toward governmental control, regulation, or supervision in some form. Law has been piled upon law to build up this structure, and the 73rd Congress contributed its share to erecting the legal edifice.

But as Swift once said: "Laws are like cobwebs, which may catch small flies, but let wasps and hornets break through." That has been the experience of the Roosevelt Administration to date. The small flies have been swatted with sadistic ardor by those charged with administration of the new legislation, but the wasps and hornets have buzzed in and out with a good deal of their old freedom.

The whole problem has resolved itself into one of administration. But administration of laws which seek to mete out a measure of social justice to producers, financiers, consumers and laborers alike implies the employment of administrators with the attributes of a referee. Such referees need to be well trained, unpolitical and above all, honest. Where are they to be found? Would it be possible to appoint them, if they could be found?

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President Roosevelt faced these same questions soon after his inauguration and sought to answer them. If he ever thought of turning to the United States Civil Service to obtain such impartial administrators, there is no record of it. In fact, the Civil Service as it is now constituted would have offered little aid in solving the problem. The Democratic politicians, whose emaciated followers had suffered the privations of twelve years of Republican rule, were ready to provide the answer; their mendicant clients were eager to fill any mould. Quite obviously, they had to be provided with jobs, but they were not the administrators sought. Big business had been traditionally credited with the employment of the nation's ablest talent, and now a corps of industrial satellites were indicating their readiness to serve with war-time fervor during the "emergency." But one of the New Deal's many promises to the electorate was to *reform* Big Business; some of its emissaries could be used, but a careful balance must be maintained to insure the appearance of impartiality necessary to public confidence. The champions of labor and the farmer and the less articulate exponents of the consumer's interests were anxiously awaiting their opportunity to grasp the reins of power. While some of their number could be used to offset the industrialists chosen, too many would frighten private industry into a state of prostration. Mr. Roosevelt's successful use of a small group of professorial advisors during the campaign suggested the universities and colleges as a likely source for the trained, untainted, impartial referees needed. It was frankly an experiment to call college professors and their intellectual proteges into the government service in large numbers, but "experiments" were the order of the day. The creature begotten from that noble experiment—christened the Brain Trust—is turning out to be the Frankenstein of the New Deal. As one of its most brilliant members said during a conversation which the writer had with him recently: "It is time that the anti-trust laws be brought into play to dissolve the Brain Trust! The activities being ascribed to it threaten to destroy the ad-

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ministrative nucleus necessary to make the New Deal legislation more than an unexecuted promise."

Much of the confusion along the Potomac can be traced to its epicenter: the personnel problem. The jumbled record of NRA is an outstanding manifestation of a breakdown in the selection of trained, impartial, unpolitical administrators. NRA has been staffed chiefly with men whose backgrounds were founded in the military or industrial fields, or a combination of both. An attempt was made, at first, to assign the chief administrative officials to codes which did not concern the industries from which they had taken temporary leaves for the duration of the "emergency." It was soon found that these officials lacked sufficient basic knowledge of the new industries to which they had been assigned to balance the formidable presentations made by the counsel for major industrials and for labor. Then reassignments were made so that the deputy administrators were put into fields in which they had practical experience, but their most sincere attempts at fair administration fell short of winning the confidence of the conflicting interests that came before them. Pressure politics, of a brand not dissimilar from that which had placed politicians and their ilk into disrepute, soon ruled NRA. The stronger industrial groups overshadowed their weaker adversaries and eclipsed the exponents of labor and the impotent representatives of the consumer.

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Mr. Roosevelt not only relied upon his youthful Brain Trust to develop the plans for the New Deal in all principal agencies outside NRA, but he called upon these economic planners to administer the very acts which they had prepared for the approval of a docile and properly confused Congress. When it came to selecting personnel qualified to act in the capacity of referee so necessary to the administration of regulatory legislation, the Brain Trust professors soon tangled horns with Mr. Farley and his patronage lieutenants in a losing battle. Their fondest hopes for carrying out the President's publicly announced policy of placing "brains above party politics" were soon thwarted by Mr. Farley's iron-clad patronage rules. They soon learned, however, that Mr. Farley, and not the President, was to be the personnel policy dictator of the Administration, although they were confused with it all for a time. What is likely to prove quite as serious from the standpoint of carrying out the New Deal program: the professorial planners assigned to administrative posts have continued to busy themselves with further planning to the detriment of adequate administration of the plans already approved. There is little doubt that the Brain Trust's place in the New Deal must soon undergo some major readjustments.

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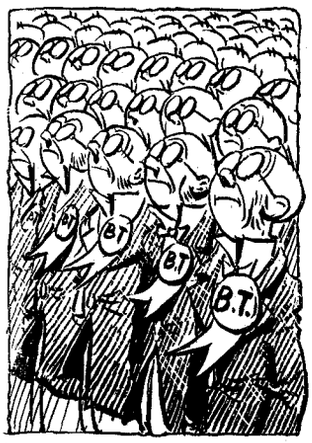
This does not mean (as some quarters would like to have us believe) that the professors must go. The professors are going to stay, but their place in the New Deal is not going to be the omnipotent one generally credited to the Brain Trust and actually believed to be a fact by some of its own members. Those who are not able to adjust themselves to this more permanent order in Washington will most certainly return to their classrooms. Some will find it convenient to take up their academic work again with the opening of the fall semester!

The advent of the professors and their intellectual proteges in the government (those holding professorial titles and their Ph.D. retinues now numbering more than 750) has resulted in the discovery that there is no more uniformity in the ability and temperament of such a group than might be expected in a similar number of politicians. By pinning the Brain Trust label on all of them (or at least the title of Junior Brain Truster) the best are pulled down to the level of common mediocrity. The Brain Trust began as a small group of personal advisers to the President, but now that nebulous body has been expanded in common Washington parlance to include nearly everyone who has come into the Administration with a college degree. It has become a Frankenstein which provides a vast target at which jealous politicians may take pot shots without troubling to take aim. Unless the current notion of the Brain Trust is changed, a college degree may turn out to be the political death warrant of those sought for posts in the governmental service. There are many politicians who would welcome such an order of affairs, and some are losing no opportunities to heap ridicule on those who have the temerity to suggest that their training for governmental posts includes something other than faithfulness to the Democratic party.



The lot of the intellectual in politics has never been a particularly happy one, and the current experiment was certain to have its complications. Most of the men taken from the universities and colleges to staff the New Deal were minor dignitaries on their home campii. Such men suffer severely from the low public esteem in which they are held during times of prosperity. The New Deal and its Brain Trust raised them to a level occupied ordinarily by men considered their superiors by the general public. It set free long oppressed egos and the most obscure lost no time in seizing the most gaudy places in the limelight. Their extravagant actions were a natural result. They sought to crack down on the Old Order with a sadistic ardor reminiscent of the New England witch-hunters in an earlier reform movement of our history. Such men are not the administrators needed to consider the interests of producer, financier, consumer and worker alike in acting as an impartial referee. It is this realization of the unfitness of many of the professors for such administrative posts which is troubling those who would like to see the notions of government control as provided in the New Deal legislation given a fair test.

The experience with the industrial satellites brought into the New Deal as emergency administrators has been little better, if it has not been worse. Curiously enough, many of the men who had enjoyed substantial reputations in the business and industrial world began to act like the much maligned politicians of an earlier day once they had reached the high places of power. The failure of the NRA to be anything more than a sham, long on ballyhoo and short on impartial administration, can be attributed to the men who staffed it in administrative capacities. From General Johnson down, the NRA was largely staffed by men

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from Big Business whose patriotic enthusiasm led them to accept posts offered them as a "public duty in the emergency." As might have been expected, they acted as the representatives of Big Business and of the particular industries with which they had been previously connected. Their Big Business viewpoint had been too deeply ingrained to permit them to be the impartial referees which such administrative posts demanded if the interests of the consumers and workers were to be considered equally with those of industry. The Consumers' Advisory Board, staffed with a full complement of well meaning but impotent professors, was completely ignored by General Johnson and his retinue of industrialists. Labor, placated on a few occasions, succeeded in winning no major engagement against the industrial-minded administrators, although some of them probably felt that they were allowing labor a share larger than it deserved. It is not meant to imply that they were dishonest or negligent in their duties; their viewpoint made it impossible for them to weigh the interests of conflicting groups impartially.

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Perhaps it will be necessary to breed and train a whole new race of men to fill the places of the referee-administrators needed, men who can place public interest above self-interest and men whose reform motives are not afflicted by those subterranean demons of the Freudian menagerie. Secretary Wallace in one of his politico-religious moods has suggested as much by saying: "When the 40,000 undisciplined slaves, known as the children of Israel, left Egypt it was possible for them to reach the Promised Land within a few months. But they were not fitted to go in and take possession, because the older generation thought of everything in terms of the flesh pots of Egypt. It was necessary for the younger generation, hardened by travels in the wilderness, to come to maturity before the Promised Land could be possessed. . . . We have left the flesh pots of Egypt. We are on our way. The Promised Land is at hand, and the only question is whether the older generation is fitted to go in and take possession. The men who have proposed the New Deal, I fear, are in somewhat the same situation as those who led the children of Israel out of Egypt."

Although the New Deal technique has taught the electorate to wait patiently while experiment after experiment is tried with the hope that success may be achieved by the trial and error method, it is not likely that the opponents of the Roosevelt technique are going to sit by while a new race of men is bred and trained for the New Deal's administrative posts. Something must be done soon!

The success of the young men with legal training who have been brought into the New Deal, and particularly the small group of administrators whom Professor Felix Frankfurter of Harvard Law School has recommended, suggests a possible solution of the perplexing personnel problem. While some of their names are not as well known as the Brain Trust professors who specialize in economics and political science, they are gaining recognition for their quiet, efficient and good-humored administrative work. They are inspiring confidence in the conflicting groups whose cases are placed before them for impartial consideration. That is half the battle won in the administration of legislation requiring government control or supervision.

Contrary to popular belief in Washington, Professor Frankfurter has recommended no more than fifteen men who are in important administrative posts. These men have, in turn, selected many other young lawyers to act as their assistants, varying from groups of perhaps a half dozen to as high as fifty to seventy men. The President obtained key appointments for some of the original group without too much attention to their party credentials, and as a result they have been sniped at by jealous Democratic politicians who would have preferred the appointment of their own constituents. Because James M. Landis, Thomas G. Corcoran and Benjamin V. Cohen have been more than administrators in that they wrote the Securities Act of 1933 and the Stock Market Regulation bills, the Frankfurter proteges have drawn some hostile fire in recent months. Congressman Fred A. Britten, with a truly Wirtian affliction for seeing things under the bed, arose in Congress to characterize the Little Red House in Georgetown where some of the Frankfurter satellites live as "the birthplace of legislation which has shocked two continents." Aside from such partisan outbursts, the young men who have come into the New Deal with a background of legal training are, with few exceptions, building up enviable reputations for efficient, impartial administration.

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Perhaps no one who has aided in the selection of personnel to staff the New Deal has held the principles underlying the British Civil Service system in higher regard than Professor Frankfurter. The success of his proteges is prompting a study of the British system as a model. Great Britain has a corps of 1,500 to 2,000 university-trained men and women, many of them honor graduates from Oxford and Cambridge, who run the British Government as their life work. Selected by competitive examination at about twenty years of age, they are appointed as public servants, impervious to politics and forbidden by law to participate therein. They staff the government up to, but not including, the rank of Minister. Their rate of pay is low, but they enjoy security through a pension system which provides for their wants after retirement at the age of 60 to 65 years. They are respected and held in high esteem by the people, who have implicit confidence in their ability and impartiality. Such confidence is absolutely necessary to the success of any plan for government control of the social and economic structure. The British Civil Service, like the United States Civil Service, also provides a small army of workers to fill such routine jobs as those of postmen, scrubwomen, customs inspectors, etc., but its most significant departure from our present system is its plan for staffing the top with men and women of scholarly training as well. Perhaps our only counterpart of this feature of the British plan is a small number of career diplomats who are selected and promoted on the merit system.

Some consideration has been given to the notion of setting up a training center in Washington (either connected with one of the existing universities there or as a separate

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entity) to which men and women with three or four years of college training might enter upon competitive examination. The courses would point them for governmental posts through apprenticeships in the various government departments while continuing their education. Chester McCall, Assistant to Secretary of Commerce Roper, is formulating plans with the aid of a group of educators headed by Dean Walter James Shepard of Ohio State University to open a National Institution of Public Affairs in Washington next year. One hundred and fifty students from all sections of the country are to be selected on a plan similar to that used for Rhodes scholarships. The object of the institution is not purely to supply the government with qualified talent, but to train students for "political leadership" in their home states and communities, after serving short terms as apprentices in the government departments. The American University in Washington is similarly experimenting with a seminar on governmental affairs this summer. Both institutions offer possibilties for expansion to meet the needs of a training center for future occupants of government administrative posts, but their success depends largely on the type of personnel selected to staff the faculties and the thoroughness of the training and selection of candidates.

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Assuming that likely candidates for administrative posts can be selected and trained through some such system, there remains a very honest doubt as to whether they could be appointed. Without an Act of Congress extending the Civil Service, it would certainly not be possible, unless all were Democrats. The present patronage policy dictated by Postmaster General Farley insists that each candidate for an administrative post have the endorsement of the Senators from his home state, the Congressman in his district and the Democratic National Committeeman. All positions, outside a few protected by Civil Service and a small group of ranking officials appointed by the President, have been filled with strict adherence to this rule.

It is a rule to which some of the professors, ardent in their honest desire to staff the New Deal with qualified talent, had difficulties in acclimating themselves. They are all resigned to its iron-clad tenets now or, like Dr. Willard L. Thorp, who headed the Bureau of Foreign and Domestic Commerce for a time, they have passed out of the New Deal. Each department has a Farley lieutenant installed in a position where he can keep a watchful eye on all appointments and make certain that the party qualifications are fulfilled. H. Russell Amory, who proved to be Dr. Thorp's nemesis, is Farley's Man Friday in the Department of Commerce. Julien N. Friant holds a similar post in the Department of Agriculture, where some of the professorial heretics must be watched. Each department has its Amory or its Friant. When offending professors, uneducated in the ways of party politics, insist on the appointment of men who cannot successfully run the patronage gauntlet, they are occasionally called to the office of the Big Chief himself. The Postmaster General cannot quite understand why it might be necessary to go outside the Democratic party for adequate talent. He expresses a deep interest in securing qualified men for administrative posts, but he sees a certain inconsistency in a well qualified man having voted the Republican ticket. The professors have been somewhat fortunate in that some of the young men whom they want for their departments have shown little interest in voting, so that it is sometimes possible for them to get on the Democratic bandwagon now and obtain the necessary credentials with vows of faithful allegiance hereafter. Unless they fail to take their new duties to the Democratic party seriously, they hardly can be considered the well trained, *unpolitical,* impartial administrators which the British system demands, and the New Deal probably will need to become more than an unexecuted promise. The fact that appointees must show some allegiance to the Democratic party questions their impartiality from the moment of appointment.

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There is a growing realization in Washington that most of the New Deal "emergency" legislation will become permanent, if there is any merit in the basic notion of government control or supervision at all. If and when the "emergency" passes, most of those from the colleges and from industry who rode into the New Deal on the crest of the wave of enthusiasm will return to their previous pursuits either because they are more lucrative or the New Deal has failed to follow the path of their own pet theories in economics or government. Some have already resigned; each month has shown an increasing number of resignations. Many of them will not be missed, but most of their places must be filled by men with even better qualifications. Thus the personnel problem becomes more acute each month.

The President could slash the Gordian knot. Many hope that he will do so by expanding our Civil Service along the lines of the British model. But most observers close to the Administration with whom the writer has talked feel that he will not do so because it would not be politically expedient. There is no doubt that Congress would send up a painful howl if such a proposal were made, and it is quite likely that such legislation would meet stiff resistance. The Postmaster General would be most certain to oppose such a move to cut into his powerful patronage machine.

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Raymond Moley, one of the professors who held a gaudy place in the limelight during the early days of the Brain Trust, has said that "many divisions of the government are limping badly because of inadequate personnel." But Dr. Moley's newly acquired appreciation of political expediency prompts him to add that efficient men should be discovered and appointments made along strict party lines. His plan for finding qualified administrators is refreshingly simple: "Every Congressman can help to find them, carrying into his own State or district, like Diogenes, in one hand a lantern to discover honesty and in the other a lantern to search out competence."

The New Deal's personnel problem is obviously not so simple as that. It is a problem that has grown malignant partly because of the present patronage policy. The Postmaster General's devotion to that policy may render impossible the extension of our Civil Service to obtain the well trained, unpolitical, impartial public servants needed to administer a program of government control such as is necessary to make the New Deal more than an unexecuted promise. It may be Mr. Farley's countenance which will turn up on the Joker in the New Deal.

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Progress Underseas

Did the World War destroy all faith in the submarine? In the popular mind, perhaps, yes; but with the naval technicians it would appear otherwise. The submarine forges ahead, greatly improved, to hold a unique place in naval-building programs today.

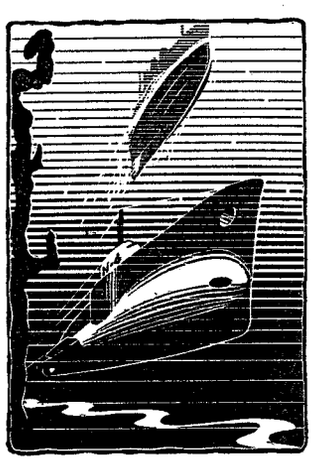
by George H. Engeman

WHATEVER else he may have doubted when the World War ended, there was one thing about which the average American felt at least tolerably certain. It was that the submarine had met its masters on the sea. Depth bomb and convoy, it was asserted, had turned the tables on Germany's underwater raiders.

Such talk was to be expected, for it was war time, but with the coming of peace the Allies' deep-seated respect for this formidable weapon was soon revealed. By the Versailles Treaty Germany was forbidden to keep her submarines, or to build more. But France, Italy, Great Britain, Japan and the United States did not stop building them. And now, sixteen years after the war, the former allies are busy laying down modern developments of John Holland's submerging warships in ever greater and greater numbers.

Japan, which with the United States and Great Britain was limited in submarine strength by the London Naval Treaty, has built right up to the prescribed figure while the American and British fleets are embarked on programs which will not leave them wanting in underwater strength. France and Italy, which place even greater emphasis on this weapon, have built submarines as they have pleased; the French, in the *Surcouf,* holding the record for the largest submarine ever built.

It is for these reasons that we find in the world today nearly 500 submarines with many score more building or authorized. By way of contrast, in July, 1914, the month before she entered the war (although she built to a much greater extent later) Germany had only twenty-seven submarines with eighteen more under construction.



The truth seems to be that the submarine has emerged from the improved construction race in a better position than ever. Treaty limitations on the displacement of surface craft have tended to place emphasis on the development of lighter and stronger methods of construction. But until such limitations were invented, the necessity of adding a few tons to the construction of a surface craft did not constitute a serious problem to her designers. A foot or two added on the water line, or an adjustment in the allowances made for guns, armor, or machinery, would take care of the matter.

But submarine design is not so flexible. Everything is sacrificed here to safety, to cruising radius and to surface speed at the outset, and naval architects have been extremely handicapped. Meeting required safety factors in a small boat entailed sacrifices in surface speed and cruising radius. Long range and high surface speed could be obtained by building larger boats, but larger submarines, although as safe structurally, are tactically unsafe as they maneuver slowly when submerged, making both attack and escape more difficult and dangerous.

Therefore the weight savings effected by new metals and by improved welding methods were welcomed with open arms beneath the waves. Through their use, cruising ranges have been extended while at the same time the submarines have been made faster, smaller and stronger, the last of particular importance. Modern construction methods may have made today's 10,000-ton cruiser the equal, say, of yesterday's 12,500-ton ship, but a modern submarine of 1,100 tons is a 50 per cent better boat than her 1,600-ton predecessor.

The modern submarine dates back to 1896, when John Holland, an Irish school teacher in New Jersey, began his experiments, although attempts had been made to solve the problem of underwater navigation many years earlier. Principles of the Holland type boat are embodied in all submarines today, although the single-hull Holland design has given way to the double-hulled construction designed by the inventor Simon Lake. In the Holland type boats the water which is taken aboard to permit the submarine to submerge was admitted to tanks within the hull, while in the Lake type the water is admitted to the space between the two hulls. The particular advantage in this is that the space inside the boats can then be given over to the fuel tanks.

As the boats grew larger and the demands for greater cruising radius became more imperative it was found necessary to use the Lake type exclusively and all new submarines today are of the double-hulled class, although they are harder to handle than the Holland type boats which also are more popular from the viewpoint of operating personnel, being comparatively roomy, easy to dive and handle under water, simple in construction and operation and easy to overhaul.

Submarine construction lagged until the war period and

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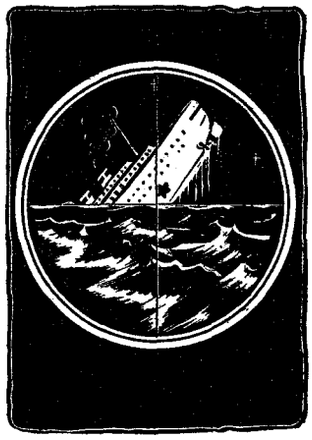

the boats grew very slowly in size. In 1914, the largest submarines were only about 400 tons. The chief explanation of the delayed development was the slow progress of the diesel engine. Gasoline engines were tried, but they were not successful because of the fire hazard and because of the gas fumes which menaced personnel.

The war, however, found the Allied navies masters of the surface of the sea and Germany turned to the underwater arm of her naval service. Under the pressure of the conflict the development of the diesel engine was begun in earnest, and from this time on submarine design progressed with terrifying rapidity. All told, Germany built some 300 submarines during the war, and at the close of the war period practically the entire output of the German yards was concentrated on undersea boats.

There were all sorts and sizes of German submarines, some as large as 1,600 tons, depending upon the purpose for which they were built. Small 600-ton boats were constructed for coast defense while the larger boats were designed as commerce raiders, or as in the case of the *Deutschland,* which came to the United States, as merchant vessels.

Submarine men today are frank to admit the skill of the Germans in handling this new weapon, and while the Allies, particularly the British, attempted to use them, they were not altogether successful. One of the stories told in this connection is that of the six British E boats which succeeded in getting inside the bight at Heligoland without being detected and there found the German high seas fleet at anchor. They fired all their torpedoes at the unsuspecting warships but they did not get a single hit. They had fired too close to the Germans and all the torpedoes ran under the ships.

Perhaps the most outstanding feat of the British submarine service was in the Sea of Marmora where Lieutenant (now Admiral) Naismuth swam ashore from a British E boat and blew up the Berlin-to-Bagdad railway. This same officer during the same cruise sank several Turkish ships and got his submarine entangled in an anti-submarine net, but finally escaped. He received the Victoria Cross for his feat. Admiral Naismuth, incidentally, is the inventor of an invaluable adjunct to modern submarines. It is the "Iswas," a device which enables a submarine commander to determine the exact course of any vessel he may wish to attack.

Although the Iswas, had they had it, would have boosted their average considerably, German submarines clicked with precision. Up to April, 1917, when the United States entered the war, nearly 7,000,000 tons of shipping had been lost through submarine attack and the usual accidents to navigation, and the Germans were sinking shipping in the latter part of 1916 at the rate of 300,000 to 400,000 tons a month. This figure was stepped up during the second quarter of 1917, when they sank over 2,000,000 tons.

Following the war, the size of submarines continued to increase, although the Germans already had learned the handicaps imposed by the larger ships. Their submarine commanders had been returning with tales of the unwieldy nature of their big commands and had been requesting smaller vessels. Never-ending demands for increased cruising radius was the reason for the continued building of the larger types, and the British even experimented with fitting one of their large submarines with a 12-inch gun. The experiment was not successful and the project was abandoned.

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The British post-war program ran to larger and larger boats, the X-1 with a 2,780-ton surface displacement and a displacement of 3,600 tons submerged being the largest. The United States also continued constructing larger submarines including the *Bass, Bonita, Barracuda, Argonaut, Narwhal* and *Nautilus,* the *Argonaut,* a special type submersible mine-layer, being of 2,660 tons displacement on the surface and displacing 4,030 tons submerged. She has a large cruising radius both on the surface and when submerged, though a relatively slow surface speed. The French *Surcouf,* which topped them all, was completed in 1929, having a surface speed of 18 knots and a surface displacement of 2,880 tons. Her submerged displacement is 4,300 tons.

The large submarines have many excellent qualities, particularly a tremendous cruising radius and the ability to stay on the surface and fight it out with a destroyer or small cruiser. But their turning circle is so large that when attacking a target which is zig-zagging rapidly they have difficulty in keeping their bearings on it. For some submarines this is not as difficult as it may seem, because the torpedo may now be made to curve in any desired direction after it has left the submarine, and in addition the submarine in a fleet action does a great deal of damage if it is able to make the enemy ships turn out of line. Thus the large submarine is particularly fitted as an adjunct of the fleet while the small submarine is best adapted as a lone underwater fighter.

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But despite these special advantages, the large submarine seems headed for extinction. The large turning circles, the limitation of total tonnage by the London Treaty and the improvements in engine design and metallurgy have caused all nations to revert to the smaller type. The British have returned to the 1,475-ton class and the French and Japanese also seem to have stabilized their construction in that neighborhood. America has followed, if not led, the new trend, coming down through the *Dolphin* and her sister-ships in the 1,560-ton class to the *Cuttlefish* and *Cachelot* and the newer boats, four of which are now building in the neighborhood of 1,200 tons. The *Cachelot* and the *Cuttlefish,* incidentally, were originally designed as 1,500-ton submarines, but their size was later reduced. They are, however, equipped with guns, indicating that the United States has not definitely abandoned the submarine as a commerce raiding weapon.

Tremendous advances have been made in the new submarines. In the latest types the weight of the engines has been reduced to around 17.5 pounds per shaft horsepower as compared to 50 pounds per horsepower (a conservative figure) during the war. New construction methods have developed other weight savings in every part of the ship with the exception of the batteries, which always have rep-

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resented a considerable portion of the weight of the vessel. Submarine batteries are very similar to the lead acid batteries seen in all motor cars but are very much larger. A single submarine will have from 120 to 240 of these cells, each cell higher than a man and weighing nearly a ton and a half. No means has been developed for saving in either the weight or the cost of these batteries, which represent an expenditure of about $100,000 and have a life of about eight years.

America's newest submarines (more than thirty-six have been authorized by the Vinson bill) will be distinguished from all previous submarines by the fact that for the first time the diesel-electric drive will be incorporated in an underwater boat. The drive will be similar to that employed in the new high-speed trains, the compact diesel engines turning over electric dynamos which furnish power to turn the electric motors connected directly with the propeller shafts. This drive will increase the horsepower of the new submarines to around 5,000 in contrast to the 3,000 horsepower of the older and larger boats.

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In two other respects the latest type submarine represents a tremendous improvement over the war-time model. Most important of these is diving ability. Whereas the war-time submarine could not operate safely below 200 feet beneath the surface, the latest type can dive to twice that depth. This is a valuable asset for it doubles the number of depth charges a surface vessel must drop in order to destroy an underwater raider.

The depth charge is the deadliest weapon against the submarine and one bursting immediately alongside any underwater boat will spell destruction for that particular raider. A depth charge exploding 100 feet away will do some damage, but will not be fatal, while beyond 100 feet little if any damage is done. Thus the problem of the surface craft is to get over the submarine and drop its charges. But since the submarine now dives twice as deep, even if the surface vessel were to know exactly where the submarine was, it would have to drop twice as many charges to sink a modern submarine as it did to sink a war model. But so far the surface ship still suffers the additional handicap of not knowing under what particular wave the submarine is speeding, an important consideration since depth charges are relatively bulky and expensive and reserve supplies may be thousands of miles away.

The second outstanding advance in submarine warfare is the improvement made in torpedoes. During the war the torpedo was relatively slow, traveling at a speed of about thirty knots. An alert ship's crew could spy out the tell-tale wake created by the escape of the compressed air which drives the torpedo, and by quick action on the helm could steer out of the torpedo's course. But dodging the latest torpedoes will not be so easy, for the newest types have speeds of over fifty-five knots, or more than sixty-three miles an hour. Any action following the discovery of the wake of such a torpedo headed in one's general direction will be somewhat akin to a motorist's turning the corner after he has passed it.

Despite the advances in submarine construction, the tactics of attack have not changed. Relying on its high surface speed and low visibility, the submarine cruises or lies waiting in the steamship lanes until an unsuspecting victim comes over the horizon, first announced by its smoke. Because it lies so low in the water, the submarine can see the approaching surface ship long before the lookouts on the surface ship could possibly see it, and if the approaching vessel is following a course which will not take it too far away from the submarine, the latter puts on speed, and still on the surface, moves over closer to the apparent course of its prey. If a ship is too far abeam when sighted, the submarine, aware of the necessity of conserving its energy, will pass it by, the submarine commander, as a general rule, limiting himself to attacks on vessels which are approaching him at an angle of not over 30 degrees.

After his quick surface run to intercept the approaching vessel, the submarine commander sinks under the water, the largest submarine requiring only a minute to submerge, and begins to stalk his prey, using the periscope to watch the oncoming ship, tracking her to determine her course and speed and getting as close in as possible. Naturally, the periscope is used sparingly, since the tell-tale "feather" it cuts as it slices through the water may betray the submarine's approach to the enemy.

As a ship which sees a periscope before the torpedo is fired has a good chance of escape, the critical time for both the attacked and the attacker is during the interval of approach from a range of roughly 4,000 yards to the firing range of 1,000 yards. This period averages about seven to ten minutes, depending upon the speeds of the respective vessels, the angle of the submarine's approach and the accuracy with which the submarine commander made his original observations.

Beginning at about 4,000 yards, the submarine commander starts to run up his periscope for brief observation periods, usually of about 30 seconds, the periscope seldom showing more than a foot above the surface. Then four or five successive observations probably will be taken at one-minute intervals, the length of time the periscope is protruded being cut down to ten or twelve seconds. As the submarine closes in to about 2,000 yards only a few inches of periscope will be exposed at more frequent intervals but for only five to ten seconds. Finally, at a range of about 1,000 yards, the firing exposure is made, probably for about twenty-five seconds, in order to assure a well-aimed torpedo.

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As the submarine commander develops greater skill he is able to make less and less use of the periscope in launching his torpedoes, four of which might not sink a battleship although they would certainly put it in drydock for six months.

Various schemes have been employed by surface ships to make the task of the submarine more difficult, but all have not been as successful as their originators intended. One defense, easily recalled, was camouflaging, and millions of gallons of expensive paints were spread on merchant and fighting vessels during the war. But it was not effective. Some idea of camouflaging's real value may be deduced from a statement issued January 12, 1918, by the British Admiralty to the effect that "the theory of rendering ships invisible at sea by painting them various colors is no longer tenable," and that "the numerous schemes tried by the Admiralty under actual conditions at sea have been invariably disappointing."

It is now generally understood that a dress of varicolored paint which makes a ship more difficult to see under certain light conditions may render the ship more easy to see under others, experience seeming to indicate that the

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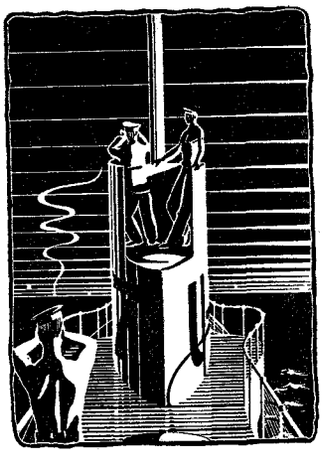

familiar navy gray is about the most effective for concealment at all times.

Another defense against submarines was zigzagging. Constant changes of course hindered the submarine commander in judging an approaching vessel's course. Even were he able to judge the course correctly, there was no assurance that it would be maintained. However, submarine officers soon learned to anticipate the next change in course and they were further aided in the development of the curving torpedo. In the early days of the war, the submarine had to be aimed at a spot ahead of the surface ship, as a hunter fires ahead of a duck, but this became no longer necessary with the development of torpedoes which could be set to curve as constant changes in the course of the submarine to counter the zigzagging were thereby eliminated.

Once its torpedoes are fired, the submarine attempts to escape. This may be done by submerging to the greatest possible depth and stopping all motors so that motor noises cannot be heard and betray its position, or by attempting to dodge close to the surface. Once his torpedoes have been sent on their way, the submarine commander has no desire to hang around to see what happens. His only job is to get away as fast as possible.

Much was made of the airplane as an anti-submarine weapon during the war, but its value in this respect still is not definitely known. There is said to be no question that an airplane which is directly over a submarine submerged not more than 300 feet in the water can see the outlines of the undersea boat. But from an angle, or in deeper water, the submarine is invisible from the air. Even if it is able to see the submarine there is little that the airplane can do except report its presence to surface ships, particularly destroyers, for the odds are long against a few chance depth charges finding their mark, and the scouting airplane has not yet been built which could carry enough of the heavy bombs to make the submarine's destruction sure.

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The chief enemy of the underwater boat would seem to be in the field of highly developed listening devices, particularly those of the supersonic class. Sound waves of the frequencies which are audible to the human ear have certain directional characteristics, but waves of higher frequencies above the range of human ears not only have great range under water but can be trained like the beams of a searchlight. These high frequency impulses can be sent out from a surface ship in any direction. If they encounter any object they bounce back and are picked up by a receiver aboard the transmitting ship immediately betraying the position of the submarine or other object which caused them to rebound.

But the very sensitivity of these devices now mitigates against them, since, because of their accuracy, they must be pointed directly at the submarine in order to detect it. Hence the depths must be combed constantly, a needle-in-the-haystack process, and even a glancing contact between the underwater object and the sound wave will not produce results since the wave will bounce off at the angle with which it hit and will not be returned to the listening receiver. Nor can the waves be sent out in all directions at once to determine first whether there is any underwater intruder in the neighborhood, leaving the task of obtaining his direction until later. For when the sending band is widened the waves interfere with each other and all sorts of freak results are obtained. The submarine also may send out a jumble of such waves, jamming the wave band as a radio station can jam the air by broadcasting radio waves on every band at once.

But even if supersonic devices reach a high degree of perfection, they must always remain the two-edged weapons which they really are, for the submarine by employing them will never have to come close to the surface. Thus equipped, an underwater raider will be able to track the surface ship without ever showing herself and so carry on an attack unseen. With the equipment in use already it is possible for a submarine to make a submerged attack entirely by sound and get hits with torpedoes without once showing its periscope.

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American submarines, so small that they had to be towed across the Atlantic for service, had many unusual experiences during the war. Perhaps the most hair-raising of them was that of the L-4 which in May, 1918, came near being lost with all hands, and incidentally set a record for deep-sea diving at that time.

The L-4 had been cruising at very slow speed at a depth of twenty-five feet when water creeping into the boat through the sea valves made it desirable to lessen the weight of the vessel by pumping out a small adjusting tank with a capacity of only 1,000 pounds of sea water, which was located in the center of the ship for this purpose.

Nearby was the "auxiliary" variable tank with a capacity of eighteen tons of water. When Lieutenant Hulings, then on watch, gave the order "Blow the adjusting tank!" the man on the air manifold, who was not overly experienced, mistook the command for "Open the auxiliary tank," and he proceeded to do just that.

Lieutenant Hulings meanwhile had turned his attention momentarily to the motors which he ordered stopped in order to effect a change in speed, and before the mistake regarding the previous order could be discovered the sub had dropped 294 feet to the bottom, ninety-four feet below the depth she was designed to withstand.

According to an account of the incident in the *"United States Naval Institute Proceedings,"* the chart showed that there was a depth of water in the vicinity of 300 feet and a bottom of soft mud.

The submarine was down too far to attempt blowing the water out of the ballast tanks by air as the added pressure would undoubtedly have carried away the already strained hull, so the motors were first started ahead at a very slow speed in an attempt to plane the boat up, but without results. A faster speed was tried and still the boat stuck.

Next the ballast pumps, which had been designed for 300-foot depths, were tried and the high-pressure ballast pump was placed on the forward ballast tank. But the pump would not take suction as the circuit breakers tripped at the set amperage. The amperage setting on the breakers was doubled but still they refused to hold. They were

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then set for the maximum under any conditions and for a few moments the pumps functioned—and then the breakers tripped again. While the pressure had been reduced from 127 pounds, the sea pressure at that depth, to 90 pounds, the pumping was discontinued because the motor was extremely hot and besides the pump and the flanges on the pump-discharge-overboard-valve were leaking badly.

Then the main motors were backed, but still without success. Next, the adjusting tank, which had been designed to withstand great pressure, was filled with water three times from the auxiliary tank and blown empty, but by this method the tank had to be vented of the compressed air after each blowing before it could be filled with water again and a pressure was built up inside the submarine so great that the needle of the pressure barometer in the submarine was bent up against the top of the instrument. In an effort to reduce the air pressure in the submarine, the air compressors were started up, but the seawater admitted to cool them burst the cooling shell and this had to be abandoned.

Meanwhile the stern tube glands on the propeller shaft were leaking badly and water began to fill the bilges in the engine and motor room, rapidly mounting to the main motors. Different valves in the engine room also began to leak and soon little trickles of water appeared about the compartment. The situation was becoming desperate.

In a final effort to escape from the mud, the commanding officer ordered every man not on necessary diving stations as far aft as possible to lighten the bow while pressure was again put on the forward ballast tank until the safety valve on the air line blew. The valve was then reset at 15 pounds above the sea pressure, or 140 pounds, away above its designed rating. The main motors were then sent ahead at two-thirds speed while the chief electrician coolly held the circuit breakers closed with his hand despite the fact that his arm would be burned in doing so.

The bow rose to a 3-degree angle, then to 6 degrees, then suddenly broke loose, the L-4 heading for the surface at a 50-degree angle. A moment later she was "topside" after having been stuck to the bottom for one hour and ten minutes.

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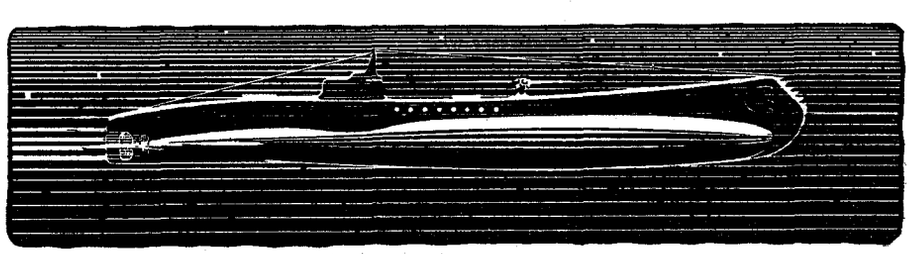
As the weapon of the weaker power, the future of the submarine is still open to speculation, but there are many who believe that in the next war it will be used by all nations exactly as it was used by the Germans in the last. The ruse of carrying neutral "passengers" on every merchant ship transporting valuable war supplies served the purpose of arousing public sentiment in the United States during the last war, but many doubt that such a ruse will work again. And Americans who must travel in troubled waters no longer have excuse to sail under foreign flags since our own merchant marine came into existence.

The submarine, indeed, is too efficient a weapon for economic warfare ever to be discarded. Even treaties can have little effect on its use in war, for the modern undersea boat can be turned out with great speed, six months being the period required for building where haste is necessary. With its new staying power and its new fast thunderbolts, the underwater boat apparently is prepared for a more important role than ever in future wars to end war.



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The Murder of King Cotton

"Hot" cotton, handled by bootleggers, loss of foreign markets for American cotton, and unemployment for millions of southern workers are some of the consequences of the New Deal for cotton as seen by Representative McGugin, of Kansas.

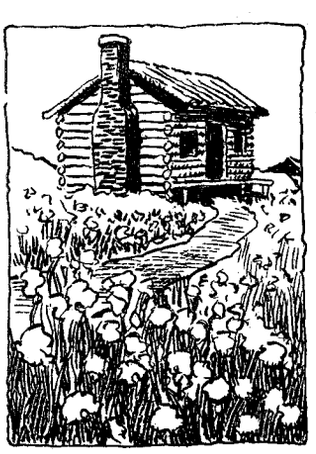
By Harold McGugin

THE first farm crop to yield completely to New Deal regimentation is cotton. The growers of that great staple have ceased to be free agents who can do as they please on their own broad acres and have placed themselves completely in the hands of the bureaucrats of Washington.

The Bankhead cotton limitation bill has passed the Congress, has been signed by the President and has become a law. Its purpose is to hold cotton production down to ten million bales a year where it has been running around thirteen or fourteen, sometimes eighteen, million bales. *The theory was* that this limitation of production would raise the price to the farmer, and price raising, without reasonable regard for other considerations equally as vital, has been a blind fetish of the present Administration ever since it came into office. The position of the advocates of the measure has been like that of the motorist who thinks only of speed and ignores the hairpin curve on the brink of the cliff ahead.

This bit of legislation is so true an example of action based on erroneous and disproved theoretical conceptions that it deserves analysis, not for itself alone, and not because it threatens the life of one of our most important industries, but as an example of the quite mad drift of these dangerous times.

It is interesting to take the back track a little on this bit of New Deal legislation. It is fathered, as everybody knows, by the Bankhead brothers, from Alabama, one of whom is a Senator, the other a Representative. It made its first bow to Congress but a few days after the senior Bankhead arrived in Washington as a member of the Senate in 1931. He very promptly introduced his cotton limitation bill. It was received tolerantly as a vagary of a new member but got no consideration whatever. Why? Because it was so obviously unconstitutional, in its proposal to interfere with the individual's right to produce as he chose, as to be foolish.



But this spring, reappearing with the surge of the tide for regimentation, backed by the Brain Trust and a personal letter to the House Committee on Agriculture from the President, asking its passage, it forthwith became a law. Its apparent sole purpose is to limit cotton production to ten million bales, allocating permissible production on that basis to states, counties and individuals in proportion to past yields. Each farmer is to be told just how many bales he may grow and whoever produces cotton above his allotment must pay half the sales price into the Treasury. The Southern gentlemen who fathered this bill were thinking only of this limitation, but the new Americans in Washington who sneer at the time-honored theory of the individual's responsibility for taking care of himself saw it as a long stride toward that Federal control of all activity which they were seeking.

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The original intention was that this law should have the effect of prohibiting production above ten million bales and that this artificially created scarcity would cause the price to go to fifteen cents a pound. From the President's standpoint it was another candle lighted at the shrine of high prices. He could extend the prohibition for a second year, if he chose to do so. Administration influence might make cotton regimentation permanent, if it chose, at the end of that period. So was the first great crop brought under definite Federal control. It might be the first in a series of such actions. Many feared that in the minds of those who controlled policies for the Administration the establishment of the precedent of Federal domination over one great crop was an accomplishment to which more thought was given than to the welfare of a specific farm group. The law was so weakened before final passage, in fact, that it lost much of its actual strength though it retained its force as a precedent.

It was originally intended that its tax on over-produced cotton of one half the market value should be paid at the time of ginning. This was amended to make it payable when sold. Thus a farmer could raise cotton above his allowable quota, pay the gin charges out of the returns from his seed and store his excess in the bale against the time when the law expired, or was repealed. This weakness, allowing cotton in storage to accumulate and thus affect the market, will tend to prevent the law from serving its primary purpose of raising prices. Like so many of the other theoretical interferences with industry which the Administration has fathered it fails to function as planned.

But grant that the result turns out to accomplish its intended purpose, is a success from the standpoint of its supporters, does cut production to ten million bales and

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does raise the price to fifteen cents; what other results, that seem not to have been contemplated, become apparent?

A primary effect that already has appeared has been that an announced intention to cut down production in the United States has led to heavy planting elsewhere. In 1933, when the United States started plowing cotton under, the word went abroad and foreign production increased 2,000,000 bales. The Department of Agriculture reports that foreign planting for the current year, under the influence of our crop curtailment, has increased from 40,500,000 acres to 44,500,000 acres. The point is that reduced production in the United States does not reduce world production but results merely in the transfer of that production from our cotton farms to those of Brazil, Egypt, India, or Russia. They get the cotton money which we lose. They develop an industry, get an improved foothold in a market, which heretofore we have dominated.

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This is a fact so amply demonstrated in the past that it is hard to understand how Administration theorists could have missed it. No longer ago than the season of 1929-30, when the Farm Board first came into operation, it bought cotton until it had established a fictitious American price. The world, including the United States, for five years previous to that time (using round numbers), had been consuming an average of 15,000,000 bales of American cotton and 10,000,000 bales of foreign-grown cotton. The United States had been producing 60 per cent of the world's cotton and the rest of them 40 per cent. No sooner was the American price raised than our contribution to world consumption ran down from 15,000,000 bales to 13,000,000 bales. The foreign share in world production jumped from 40 per cent to 47½ per cent. During the second year of Farm Board buying, America's share fell to 11,115,000 bales, while foreign production rose to 11,216,000 bales. For the first time in its history America produced less than half of the world's cotton.

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It became obvious that if artificially high prices were maintained here production abroad soon would be developed that would take care of all the consumption outside the United States and only the local market, consuming about 6,000,000 bales a year, would remain. There would be over-production in the United States, measured by this local market, and cheap cotton. The trend in this direction was so strong that the Farm Board had to abandon its program and cotton prices fell to a low level. This did not prove an unmixed misfortune, however, for America once more sold abundantly abroad and regained much of her foreign market. Incidentally the government was left with millions of bales of cotton on its hands for much of which it had paid 16 cents a pound. Recent coöperative programs with cotton growers have included assignment to them of portions of this cotton at six cents, which represents a loss that would not seem good business from the standpoint of the taxpayer. Much of this four-year-old cotton, however, is still being carried by the government.

In principle this venture was an exact parallel to what we are doing now and presents an exact picture of what is bound to happen. Recent industrial history has other examples of similar attempts to control prices of important crops by action on the part of single nations without world coöperation, and all have been fiascos. Most notable of these have been Brazil's actions with relation to coffee and Britain's in the case of rubber.

Right here enters another consideration, the resentment that is aroused abroad at our infliction of artificially high prices on all the world in an attempt to grab an unnatural and selfish profit for ourselves. It is not difficult for the American mind to go back ten years to a time when the British had forced rubber prices up on a similar theory. Every time we bought an automobile tire, paying twice the normal price for it, we denounced the British. Resentment against them on this score still rankles within us. In exactly the same way forcing cotton to unnatural levels will arouse antagonisms around the world that will long be detrimental to American trade.

The present program so obviously flies in the face of the demonstrated fallacy of such undertakings that it is hard to understand the logic back of it. It seems inevitable that the conclusion should be reached that this step upon which depends the well-being of one of the greatest of our fundamental industries and millions of people whose welfare rests upon it was taken without adequate consideration of inevitable results. The plan was based on theoretical, half-baked considerations and carried out, like many other present day ventures, in a spirit that can be described as nothing less than reckless.

Furthermore, it was executed in behalf of a section of the country and an industry that was already, as compared with other sections and industries, in excellent condition. Cotton was already selling at twelve cents a pound with a good crop running through the gins, which spells prosperity to the South. The depreciation of the dollar, actual in the foreign market while hardly apparent at home, had lavished its benefits on cotton, and hence on the South, to a greater extent than anywhere else. The distribution of Federal largess to the South, in the form of bonuses and loans to farmers and cash to CWA workers, had introduced much ready money.

The chief cotton producing countries of the world, outside of the United States, are India, Egypt, Russia, Brazil and China. An indication of their position in the face of the present American situation may be obtained from reports from cotton gin manufacturers who state that while sales are poor in the United States demands for cotton processing machinery from those countries are very heavy. Another interesting sidelight is thrown by an admonition issued by the Argentine government to farmers of the Chaco, spotlighted by the past two years of war, a share of which constitutes its cotton-growing area.

"Chaco growers," it says, "increase your crops this year, duplicating them if possible, inasmuch as the conditions for the world market for cotton prices indicate a favorable outlook. Bear in mind that in the United States the average yield per acre is very poor, when compared with our Chaco fields, and has to be fertilized. The United States, to improve present prices, is reducing its planted acreage. Get busy!"

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Should the United States persist in its efforts to maintain an artificial price of fifteen cents a pound for cotton, in the face of the fact that other countries can produce it for ten cents a pound or less, the ultimate results become quite obvious. American sales abroad would not disappear immediately but would decline gradually as foreign countries could not immediately get into large scale production. American cotton would figure to be displaced at the rate of some 2,000,000 bales a year. In four years we figure to lose 8,000,000 bales and reduce our production to American requirements, about 6,000,000 bales. It might even fall below that amount as a higher price for cotton would encourage the use of rival materials such as rayon, paper, jute, linen and silk.

This export cotton usually brings about $500,000,000 a year in foreign cash to the United States, although there have been banner seasons when the amount of outside money brought in by this staple has gone above $1,000,000,000. And a billion-dollar item is a very rare specimen and quite beyond the comprehension of the minds of most of us.

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There is another aspect of this situation, however, that is much more serious than the money loss—the sacrifice of employment by the people engaged in the production and handling of these 8,000,000 bales of export cotton. Between a million and a half and two million people on Southern farms work at producing this cotton. There are 14,000 cotton gins employing large numbers of people, cotton seed mills, cotton compresses, warehouses, docks, etc. In the transportation of cotton by wagon, truck, railroad and boat much work is provided. Cotton, in fact, is the chief provider of employment for the Southern tier of states. Even though a greater return to the planter were received by cutting the crop in two, it is doubtful if accomplishing this end would be an advantage sufficient to counter-balance the misfortune of unemployment for millions of people which would result. In fact the latter tragedy would, obviously, be vastly too great a price to pay.

Those theorists in government who are feeling their way toward a regimentation of the farmer exercised their customary bad judgment in making cotton their bellwether crop. They selected the staple of them all to which the foreign market was most important and a loss of which would be most disastrous. Had they chosen to put a limitation on a crop the export considerations of which were relatively unimportant the folly of it would have been less obvious; but with cotton it is otherwise for we grow cotton, not for ourselves alone, but for all the world.

The theorists are finding that unexpected difficulties are likely to arise to plague them when they tackle one of these economic problems that have so many ramifications that the contemplation of them all, the discounting of every exigency that may arise, is beyond human understanding. Attempting to juggle these fundamental problems, to get profit through hatching fancy schemes for their manipulation, is not unlike the activities of those gentlemen who through the decades give themselves to the study of systems for beating the god of chance at the roulette wheel. Even more immutable than the law of chance, they find, is the ancient and omnipotent law of supply and demand which all the legislative bodies in the world are powerless to alter or repeal.

Yet it comes to pass that uncertain circumstance sometimes brings to high places sincere but irresponsible zealots consumed with enthusiasm for their theories who, at no risk to themselves, are willing to stake the well-being of millions upon the correctness of their unproved (and often disproved) theories. They abandon the principle of the virtues of price, quality and service in maintaining our industry. They attempt to create through a series of controls and repressions, exercised from Washington, an artificial influence under which millions of Americans will girate like so many marionettes on the ends of strings.

Then there is the matter of the increase in the personnel and cost to the people of the Federal bureaucracy that will be necessary to the enforcement of the law. Representative James P. Buchanan, of Texas, a good administration Democrat, is Chairman of the House Committee on Appropriations and therefore in a position to speak with authority. On page 9290 of the *"Congressional Record"* of May 17 last he states that an organization consisting of a secretary, three clerks and three committeemen in charge of allotment of production and ten supervising committeemen must be appointed in each of 1,075 counties. The total of employees is seventeen to the county, or 18,275 altogether. Each state will have three administrators. All of these people will be appointed on a patronage basis. There will be office rent, telephones, telegraphs, etc. The total of expense, Mr. Buchanan warns, will run to $8,250,000!

This law, obviously, will develop two classes of cotton, one of which is tax free and the other of which rests in a warehouse with a bill for half its sale price levied against it. It is easy to foresee the time when there will be illicit gins just as there are illicit distilleries. There will be mills that thrive on half-price, bootleg cotton just as there are refineries around Texas oil fields which operate on half-price and illicit oil. There will be ships in southern ports that find a way to ship these cargoes of bootleg cotton.

Certain it is that cotton production is to be thrown quite out of joint. A venerable industry, carefully adjusted through a century of operation, is to be thrust upon the mercies of absentee theorists who, in mapping out its destiny, do not seem even to have given weight to recent economic experience. If restriction succeeds in reducing production, as it already has done to a degree, it will stimulate other countries, as it now is doing, into increased production that will divert hundreds of millions of dollars away from America and rob millions of the citizens of the South of employment. If it turns out to be a mere temporary expedient, as some of its Southern advocates think it will, that damage is done. If it succeeds, if it develops into a permanent scheme of farmer regimentation as conceived by some of its textbook advocates, then the blight on the dominant industry of the South becomes permanent and, some think, well may recall carpet-bag days of an earlier era. Either way it injects the Federal government into an activity in which it has no proper place and which will be resented by the American people as soon as the confusion of many disconcerting activities has cleared away and it can once again get a proper perspective on government functions.

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The Royal Road to Riches

by Ambrose W. Benkert

This is the second of a series of articles by Mr. Benkert, Chairman of Brookmire, Inc., discussing the effects of the New Deal monetary reforms. He seeks an answer to the question, "Can America's attitude toward investment be changed?"

AT the Reform Club in London a few years ago, with the general manager of one of the largest British insurance companies, the writer inquired about the financial standing of a mutual acquaintance. The reply was, "I think he's got about 5,000 pounds a year." A similar question asked at the Bankers Club in New York brought the response, "I think he's worth about a quarter of a million." Two fundamentally different philosophies are exemplified by these illustrations. Respectively they permeate the whole thinking of each country.

In the halcyon days before the crash, millions of American citizens suddenly discovered "the royal road to riches." The great shift of liquid wealth resulting from the war and the vast loans by our government to foreign nations had obliterated our debtor position of a hundred years and created here a reservoir of credit unparalleled in human history. Coincident with this transformation, we had forged within our borders an economic and commercial development of such unprecedented magnitude as to excite the admiration and envy of the world. With the signing of peace and the return of the warring millions to civil pursuits, this gigantic storehouse of energy and wealth stood ready to lift the shattered peoples of the earth back on their feet again.

Such was the scenery which ushered in the financial drama of the early 20's. As the curtain rose on the decade, large loans were under way to the neutral nations—Sweden, Holland, Norway, Denmark and Switzerland, and to many of their leading cities. In their wake there followed huge loans to England, France, Italy and Japan, to Australia, the Argentine, Canada and Brazil, and thus the incipient crash of 1920 was buffeted and postponed.

Confidence engendered by the election of Mr. Coolidge in 1924 and adoption of the Dawes Plan for Germany in the same year added the nations evolved from the Central Empires to the recipients of our loans. Staggering amounts were advanced to these countries during the next four years, thus helping to maintain and advance foreign and domestic commerce. The increased prosperity, resulting largely from adding these new customers during this period, was promptly reflected in increased earnings of our domestic corporations. Great expansion of plant, equipment and facilities in industry, commerce, real estate, arts and amusements resulted, and common stocks began to advance in price. With this advance the appetite of investors for equities became so whetted that by the end of the decade the whole nation was caught up in a frenzy of speculation. Fixed interest bearing obligations no longer appealed. Time-honored concepts and time-tested principles of investment were discarded. A new era had dawned. America must not be sold short. Trees grew to heaven and the royal road to riches had been found.

But, the tragic crash of 1929 and the long years of painful losses and liquidation which have intervened have left the investor empty-handed in the valley of his own folly, bewildered and wondering whether there is any road to riches, much less a royal road. Strangely enough, this fog of uncertainty and despair is not confined to the general investing public but permeates and possesses many of our leaders in industry, commerce and finance. Now, as in 1929, they are still without a compass to chart their investment course and are wandering aimlessly—shipwrecked, holding blindly to whatever remains.

What has occasioned this uncertainty and drifting about?

Is it not evident that we as a people have never charted a sound investment course?—have never formulated the principles which make the way definite and clear? Generally speaking, our whole approach to market investments has been utterly fallacious and has inevitably led to the disastrous results of the past four years.

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What are these principles and how can they be applied? As in navigation, they are rather simple and few in number. The first principle of fundamental and transcendant importance is to determine the course of general business. If the investor's conviction as to the trend of business is favorable, it is obvious that his funds should be fully invested; if unfavorable, that is, if he sees that general business is headed downward, he should be wholly out of the market and in cash. Between these two extremes, when the course of business is uncertain, he should hedge, that is, be partly in cash and partly invested. The question naturally arises as to what are the principal factors influencing the course of business.

As pointed out by the writer in "The Gold Road to

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Recovery" in the July "NEW OUTLOOK," the primary factor is the course of commodity prices. Approximately half the population of America and about 80 per cent of the peoples of the earth do not work for wages. They are engaged in the extractive industries producing basic commodities. Their buying power rests solely on the price level of these commodities in relation to the price level of manufactured goods and services. Accordingly, a decline in commodity prices ushers in a period of declining business and unless arrested, as in 1920, produces a depression such as we are now experiencing. Secondary factors, in reality an outgrowth of the primary factor of balanced price levels, are the customarily accepted "trade indicators." Outstanding examples are carloadings, electric output, building permits, bank clearings, postal receipts, industrial production, factory payrolls, unfilled steel orders, crop estimates, telephone installation, Federal Reserve rediscount rate, etc. Scientific analysis and correlation of all these factors are the keystone for determining the condition of business and, *ipso facto,* establishing the logical basis for current investment policy.

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The application of this primary principle of determining the course of general business leads logically to the fundamental of timing both buying and selling in relation to the business cycle. Values for the money are maximum as business emerges from a major depression and enters upon a progressively improving trend. Values are minimum when business is at the peak of a boom and the cyclical improvement is culminating. When emerging from a depression, sound policy calls for 100 per cent investment position in stocks and long term bonds. Conversely, at the peak of a business cycle, sound policy calls for a 100 per cent liquid position in cash and/or high grade short term bonds. This applies the principle: when securities are cheap, they are more desirable for appreciation than money, and also give a return; and when they are high, they are less desirable than money or short term high grade bonds, because these are safer as they preserve principal intact. In summary, when sound income bearing securities are bought at prices which represent substantial value for the money, during the improving phase of the business cycle, safety and return are taken care of and appreciation will take care of itself.

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The overwhelming losses of the past four and a half years afford tragic evidence that our investing public generally acted in ignorance of the fundamental relationship between the course of general business and the timing of investments, and that the course of business was completely misjudged. The public was obsessed with the conviction that the nation was just on the threshold of real development. The insatiable wants of the people for goods and services were to be met by the constantly increasing efficiency of machine production, the maintenance of high wages, and a policy providing for labor a progressively larger share in the profits of industry and commerce. Thus a continually widening dissemination of wealth was assured, which in turn was to supply a constant market for the products of industry in ever increasing ratio. The winning of the continent was recognized, the pioneer days were over, but the intensive cultivation of the domestic market was considered in its infancy. The power of advertising to stimulate adequate demand, the broadening of market facilities and the rapid development of quick and easy means of transportation by rail, air and highway were counted on to achieve the necessary distribution. Our domestic markets were to be supplemented by the development of the vast continent to the south, and our genius for organization, engineering skill and capacity for mass production were sure to accomplish this quickly. These concepts were nation-wide and formed the background of the New Era and the feverish willingness everywhere to speculate for profit. Present values were of no consequence—potential values were all-important. Thus the ridiculous prices of 1929 were justified and with few exceptions the whole nation, high and low, believed in them.

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What was wrong?

In retrospect, it is easy to recognize that this process of thinking completely ignored the fundamental necessity of correlating the effect of the course of commodity prices upon business. It is apparent that once the general price level is relatively in balance, as in 1926, the stability, growth and development of business from that point on is fundamentally dependent upon maintaining the income of commodity producers. Early in 1929, the international race for gold was on and commodity prices had already started their world-wide downward spiral. But, unlike 1920, there foreign loans had disappeared in the maelstrom of speculation in stocks, and international trade was subjected to ever increasing barriers and restrictions. Thus the impending collapse was clear and inevitable.

Next to the *sine qua non* of determining the general course of business, the second fundamental principle of investing is the selection of value for the money. This involves an approach essentially at variance with speculating for profit. The idea of buying for the *sole* purpose of selling at a higher price is not the controlling motive. The selection involves primarily a consideration of income, earning power, financial strength and marketability, all in relation to the market price at the time of selection for purchase or sale. As all values are relative and based on comparison, selection involves comparison of types and qualities of credits; of the character, potentialities and trends of various industries and of the statistical data of hundreds of companies embraced therein.

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The underlying principle to achieve safety is that of buying substantial value for the money. Value in investment terms means worth or utility. There are two kinds of value: lasting and temporary. Lasting value is that which stands the test of time. In securities, it is based largely on earning power and yield. Temporary value is that which does not stand the test of time. It is based largely on the temporary factors of booms, manipulations and popularity. Price is what a security will fetch. Price at any given time reflects the net of all forces brought into play in the demand and supply equation of that time.

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During booms, the demand is greater than average, and prices are high compared to lasting values. During depressions, the supply is greater than average, and prices are low compared to lasting values.

Safety is achieved on the basis of the following principle: when sound securities are bought at levels of lasting values, the funds are reasonably safe over a period. When sound securities are sold at levels above lasting values, the funds are reasonably safe (provided money is sound). When this principle is violated in securities, losses in general proportionate to the extent of such violation may be anticipated.

This same principle of safety may be carried a step further, and thereby set up the principle of appreciation: when sound securities are bought below levels of lasting value, such buying holds potentials of appreciation. The greater the value for the money, the greater the potentials of appreciation.

The acid test of both safety and appreciation is simply this: appreciation will not be of lasting benefit unless, when existent, it is captured before it disappears. This means converting it into either cash, high grade short term bonds, or other more attractive issues based on value for the money.

The objective of income is important in any sound investment scheme. The fundamental reason is that income and safety are inseparably related. Capital in a live, going concern is not safe over a period unless it has earning power. Investment income is important also because it is made up of two parts: the first is a return for the use of the money; the second is a return to repair capital losses. The first tends to be more constant than the second. The first is vital to any sound investment scheme, because it makes possible the operations of the compound interest principle, which is a powerful factor in building up funds over a period. The second helps to make possible rebuilding capital where seemingly good risks proved to be otherwise.

Generally speaking, these are not the considerations that have actuated American investors in the past. The emphasis has been placed on market profit rather than on income and sound appreciation resulting from increasing earnings. In this respect our approach to investing has been diametrically opposite to that prevailing in Great Britain.

Investment trusts have been operating in Great Britain for a half century. They have been conspicuously successful in providing income and sound growth of principal to their shareholders. They enjoy the complete confidence of the British public.

In the late 20's, a tremendous development of investment trusts took place in America. The public bought hundreds of millions of bonds and stocks of companies on whose boards were represented the leading bankers, financiers, economists and business leaders. The public was now to enjoy the benefits of massed financial intellect and of the inside information resulting from the broad contacts of these directors.

The disillusionment of the next four years is a story too bitter to retell. Generally speaking, the whole movement has lost the confidence of the public. Very few of the stocks of any of these companies show any earnings or pay any dividends, and they are available at prices below the market value of the securities in the portfolios.

In 1929, one of the leading bankers in London, whose firm has successfully managed a number of British trusts for many years, was invited on the board of a New York investment trust for the primary purpose of establishing a liaison with British thinking on investment matters. When he was shown the portfolio and read the long list of "blue chips," he turned to the writer and said, "We sold practically all of these stocks in London early in 1928." When asked why, his reply was "That was rather simple. Even at that time the price of these stocks was out of line with current or prospective earnings of the companies, and so we sold them." His observation, however, had little effect upon the board. "Stocks were going much higher." Strangely enough, the same attitude seems still to prevail. Many stocks are selling today at prices out of all proportion to either present or currently prospective earnings.

It is an amazing fact that an investor who will spend weeks carefully investigating a small enterprise before reaching a decision to invest his funds, will buy securities in the open market after a few minutes consideration. This is one of the main reasons why so many securities are out of line and why so many values exist for the investor who will approach the problem with painstaking care.

Just recently the writer was visiting with the senior partner of an outstanding stock exchange house. The ticker was practically silent. Looking up at the board, and with a wave of his hand, he said "Look at Steel!—39½, 39¾, 40¼, 39⅞—almost day after day. How can the public make money in such a market?" The writer made bold to ask, "What do those quotations have to do with the earnings of the steel company?" The reader can guess the answer.

The ultimate objective of any investment is income. Unless appreciation rests upon a sound basis of increasing earnings, it becomes elusive and valueless. Appreciation, *per se,* is without benefit unless it is spent or converted into other securities either yielding larger income or designed to safeguard against capital loss. This is a truth so great and yet so fundamental that until today our people generally failed to understand it. Aside from the feeling of security incident to the possession of means, the only money of any value to a man during his lifetime is the money he spends. If our philosophy inveighs against the spending of principal, how can capital be serviceable unless it provides an income? From these considerations, it is apparent that generally speaking the whole American approach to investment is fundamentally fallacious.

Fortunately, the recent act providing for Federal control over security exchanges outlaws manipulation and many other practices resulting in artificial market changes. This act, coupled with the announced monetary policy of the Administration, designed to advance and subsequently stabilize the dollar price of basic commodities, bids fair to usher in a period of greater stability for security prices and will probably lead gradually to influencing an investment approach here akin to the British. Such result would constitute a boon to the safety, well-being, income and peace of mind of the investing public.

Investors would then appreciate that intermediate price fluctuations are of no fundamental importance and worth

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would come to be measured, as it rightfully should be, by income and its stability.

The implications and broad provisions of the Securities Exchange Act of 1934 are important in formulating an investment program and in understanding the course of the market. The Act deals primarily with margin requirements, market manipulations and the requirements for registration of securities on the exchanges.

Though the Federal Reserve Board will have the power to adjust margins, the Securities Act makes the following provisions: Loans shall not exceed 55 per cent of the current market price of the security, or 100 per cent of the lowest market price in the preceding 36 calendar months, whichever is higher, but in no instance more than 75 per cent of the current market price.

In respect of the provision for loans up to 100 per cent of the lowest price during the past thirty-six months, the lowest price at which the security has sold since July 1, 1933, will apply up to July 1, 1936; thereafter the 36-month provision will govern.

Margin provisions of the Act do not take effect until October 1, 1934, and then apply only to new purchases. Securities acquired prior to October 1st and held in accounts thereafter will be exempt from the margin provisions until July 1, 1937.

There is much to be said in favor of the margin provisions of this Act. For instance, within certain limits, the percentage which can be loaned on a stock automatically becomes lower as the market advances and conversely automatically becomes higher as prices decline. In short, there is a tendency to limit speculation as the market reaches higher levels and to make purchases easier as lower and more reasonable price ranges are reached. It is a well known fact that many stocks were carried on ridiculously low margins prior to the 1929 market panic. As a consequence, many accounts were entirely wiped out almost overnight. A repitition of this occurrence should be less likely under the Securities Exchange Act.

The margin provisions of the Act will probably have no visible effect whatsoever on the market when they take effect October 1, next, but in late stages of this and future bull markets, some protection will be afforded the overly enthusiastic.

Manipulation is outlawed by prohibition of the creating of apparent activity in stocks without change in ownership of them, the crossing of orders, dissemination of tip information on future price movements, etc. In short, the Act is intended to stop pool manipulation; the objective is to sell securities to the public at considerably higher levels than such securities were accumulated by the pool.

The general public should find no fault with the provisions intended to outlaw manipulation. Ordinarily, it has been only traders and insiders who have benefited by manipulated price movements, unwarranted by developments of the companies whose securities were involved.

Prohibition of manipulation on the whole became effective July 1, 1934, though price pegging is not prohibited until October 1st and the new Securities Commission is given some discretion concerning short sales.

There is little doubt that both the greatest immediate and potential effects on the market of the entire Securities Exchange Act are due to the sections which deal with manipulation. Current dullness in the market probably is in no small degree caused by the fact that many pools have abandoned their positions in preparation for the operation of the Act.

Henceforth, price movements more accurately should reflect changes and expected changes in business conditions. The old saying, "Stocks don't go up, pools put them up," no longer will be so close to the facts, unless effective means of circumventing the intentions of the Act are discovered and used. Penalties of $10,000 and two years imprisonment or both for wilful violation of any part of the act effectively should curb such maneuvers.

Undoubtedly the outlawing of manipulation will have a tendency to reduce trading and to modify gyrations in stock prices. While this will be hard on the brokerage business it will be all to the good for the investors.

Requirements for registration of securities will result in the disclosure of much useful information in regard to organization, financial structure, nature of business, remuneration of officers, profit-sharing and bonus arrangements, management and service contracts, options on the company's securities, earnings, financial position, etc. Such information will be of benefit in the evaluation of stocks.

The regulatory commission is given wide powers in limiting and segregating the functions of members, brokers and dealers. The obvious intention of the Act is so to limit the functions of those dealing in securities that information obtained in the regular exercise of their duties will not be used for personal gain and to the detriment of the investing public.

The amendments to the Securities Act of 1933 are not of sufficient import to lift the pall which has hung over the capital markets during the past year. Continued hesitancy on the part of potential seekers for capital, even for the most legitimate sort of enterprises, must be expected with its continued adverse effect on the capital goods industries.

In summary, margin requirements are not unduly high, prohibition of price manipulation will prove beneficial to the public registration requirements are not unreasonable and the independent commission for administration of the bill is in line with desires of those affected by the Act.

Because of the better tools afforded by this law, the investor will be enabled more correctly to appraise the true intrinsic worth of securities he owns or contemplates purchasing. As a result, his investment course will be more easily charted and more assuringly fulfilled. Economic security must always be a primary goal. Without it one can never be fully happy and reap the reward of investment effort. Given a fund as a basis, the investor must determine the income he requires, the amount of risk he can take in order to acquire the increment of capital appreciation, the period of time in which he may build up his fortune until he shall have attained economic security.

The investment plan having been formulated, the selection of issues then is to be considered. Proper diversification is an essential element. The ratio of common stocks to preferred stocks and bonds must be determined. Changing economic conditions must be observed and studied and their effect on issues held must be constantly kept in mind. Current and prospective earnings, industrial trends and changes are all-important, and the rise or fall in commodity prices is always a signal for action.

But it must be remembered that most of the risks, pit-

(*Continued on page* 59)

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We're In the ILO

Few Americans know it—but we're in the ILO now. One of the last acts of the last Congress was to give the President permission to join. The indications are that the New Dealers plan to carry out their social and labor reforms in the world arena, again to change our foreign policy and further to ignore states' rights.

by Cedric Fowler

LATE in its seventy-third session—on the last day, in fact—the House of Representatives took time off from community singing, from whistling and from foot stamping to pass a Resolution. The Senate had passed an identical one just a short while before. They passed it at the request of the President. Ordinarily, there is nothing very exciting about a Congressional Resolution. Both houses pass scores of them during the Congressional year, for all sorts of purposes—to start an investigation, to stop one, to condemn or praise some person or thing, or to impress the folks back home. But this Resolution was different. It was a Resolution empowering the President, if, as and when he sees fit, to enter the United States of America as a member of the International Labor Organization of Geneva.

This latest Administration move is extremely significant, for all the simple form in which it was authorized. If we join—as seems certain—it will have far reaching effects on the whole of our national economy. The effects will be felt everywhere, in industry, agriculture, social service, law, foreign relations, government—in the entire set-up. And if the White House strategists can keep the Congressmen in line to the implied promise in the resolution, the effects will be permanent.

The International Labor Organization is, briefly, a treaty making and an advisory body, meeting regularly at Geneva, and transacting its business independently of the League of Nations. The business is with labor and industrial conditions throughout the world. At the moment it has fifty-odd members, a fine big building on the shores of Lake Lucerne, a permanent staff of four hundred and fifty employed therein, a list of treaties and conventions controlling conditions of industrial and agricultural labor among its members and a colossal output of printed words and tables, data on every conceivable subject that is connected with work.

The treaty making function of the International Labor Organization is the one to keep your eye on. As everyone knows, treaties are a part of international law. International law is more powerful than national law, in the sense that it has superior legal force. This, while it may be a blow to strict nationalists, is the cornerstone of international legal relationships. Once a treaty is made, signed and ratified, it cannot be repealed or set aside by any national or local legislative process whatever, unless the country concerned is willing to violate the first and most sacred canon of the comity of nations. Nor can a treaty be denounced unilaterally—that is, by one signatory—unless there is provision for that purpose written into the treaty itself. And most treaties, since they are agreements among equals, are so made that all must denounce them before the denunciation becomes legal internationally.

In the light of this understanding of the nature of treaties, it can be seen how acutely important our membership in the International Labor Organization promises to be. The United States of America lives under a Federal system of union. Powers not specially reserved to the Federal government belong (or were supposed to belong) to the individual states. Among these powers is a considerable amount of social, labor and industrial legislation. But among those reserved to the Federal government is the power of concluding, ratifying and enforcing treaties.

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Now the International Labor Organization has already dealt with many things which America reserves to the individual states. Under the powerful impetus of our membership, it would deal with many more. And the individual states would have nothing legally to say about it. The Federal government, by arranging whatever subject it chose to deal with in treaty form, could apply any program of social, labor and industrial legislation it wanted to the entire country. Enforcement would be just a matter of persuading Congress to pass the necessary enabling acts. No other legislative power could hold it up. It would seem to have been one of the smartest of smart tricks, this innocent joining of the ILO as means to swift social reform on a national scale. For this method is, in effect, a surefire way of getting around the reluctance, or indifference, of state legislatures that has held up so many labor laws. Some may prefer to call it an invasion of states' rights; and such critics will have to be content with the explanation that it is perfectly legal invasion. Fanciers of political irony may point out how queer this looks from the Party of Jefferson and the anti-Federalists, but it will be by no means the first time they have had a chance to exercise

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their wit. Congress and the White House, both Democratic, have done it, and that seems to be that.

The resolution also implies an interesting change in New Deal policy, particularly in its relations to other countries. Back in 1933, the line was wholly national. The recovery program, according to its framers, concerned us and us only. We wanted no help from the outside—and certainly we were extending none to the outside. Tariffs were left where the previous Administration had put them. We were still laboring under the illusion that foreign trade and foreign conditions were of no importance to us. Our monetary policy flouted world interests, and its makers ignored the possible effect of outside conditions on their plans. In July of last year, we withdrew from the World Economic Conference, with melodramatic flourishes and slaps in the face all around. The recovery program was an exclusive business, and its exponents behaved as though none of them had ever heard of a foreign country, or would care a nickel about what was happening in it if they had.

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Now we are once again reversing ourselves. The shift has taken place in the past few months; it began, of course, before the resolution to join the International Labor Organization was actually proposed. In a way it may be said to have started with the deals we tried to make after Repeal, when we tried to trade apples and pork for champagne and whisky. Then the new tariff proposals, giving the President power to revise rates and schedules as he saw fit, marked a definite swing away from strict nationalism in the recovery plan. The wise men in Washington had at last begun to admit the importance of world trade and world conditions, and the need to negotiate with the world on something like equal terms if these facts were to be met. The move to join the International Labor Organization is the latest, and also the most startling, evidence of their conversion.

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In a sense this may be taken as an admission of weakness. The NRA, for example, has been under fire from every shade and color of critic. Radicals find it designed to protect profits and promote monopoly. Employers complain that it has taken away their ancient right to deal with their own workers in their own way. Rugged individuals are bitter about regimentation and bureaucracy. In general there is an impression that the NRA has not been a success.

And the impression is well founded. The NRA has not produced the mass re-employment that was so confidently expected from it at the beginning. Only a small portion of the six million jobs promised for last Labor Day (then for Christmas, finally postponed indefinitely) has materialized from NRA's devious and often silly workings. It has not raised living standards appreciably for those workers possessing jobs. In fact the whole recovery program has raised prices, while wages have lagged heavily behind.

Another part of the purpose in our joining the ILO, announced when the resolution was put to the House, is to share in a world-wide drive to raise living and working conditions. The effort is to be made in full coöperation with every other power represented in the Organization. Any successes in this effort will have the full sanction and weight of the treaty process. Enforcement will not depend solely on domestic policy and opinion. It will have international status—and that, in spite of recent treaty defiances, is still of considerable value.

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The New Deal is turning to the outside world for help. Patriots who prefer the strictly American way of doing things will be indignant, for membership in the ILO will involve us in an even wider program of social and industrial legislation than we have yet undertaken. Already the Administration is planning action on questions like unemployment insurance, national sickness and old age insurance, and child labor. Under the Constitution, this sort of legislation cannot be done by Congressional act alone. Either the treaty making power or the process of Constitutional Amendment would have to be invoked. Joining the International Labor Organization is the Administration's idea of getting around these checks which the Constitution originally placed upon the Federal government.

The International Labor Organization is ready for us. Since its foundation it has been preparing conventions, recommendations, studies and research projects on the types and varieties of social legislation desired by the New Deal. An enormous wealth of data is ready for our uses. Scores of experts have been kept in the field, quietly plugging away at the subjects chosen for study. And, whether or not you feel cynical about tables, charts and sociological data, their work has been done efficiently and wholly without fanfare.

As a matter of fact our decision to make use of this material and of these facilities is much in the nature of a return to an earlier enthusiasm. In 1919, when the Organization was founded, Americans were prominent in the first of the work. Samuel Gompers, then head of the American Federation of Labor, was one of the original sponsors. The first meeting was held at Washington. Until the Senate storm that swept away Versailles, League and all the peace settlement in so far as it concerned us, our participation in the Organization was whole-hearted and generous.

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Search for the real antecedents of the International Labor Organization takes us back to 1897, when the first international conference on purely labor matters was held in Brussels. America sent a delegate from the Department of Labor. From this conference an International Labor Office was formed in 1900, a semi-official body supported by government contributions—including an annual one of one thousand dollars from the United States. Though this primitive office lacked treaty drawing powers, it did accomplish one benefit to labor in the prohibition of poisonous white phosphorous matches. In 1920 its library and archives were absorbed into the present Organization.

The present body owes much for its existence to the discontent and revolutionary feeling rising from the World War. As we may remember, the Allies were in the habit

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of holding open conferences from time to time in which their war aims were announced—always in terms of the highest idealism. At the same time Allied labor was discussing what it wanted from the war. The British government was the first to see that some concession to labor's aims would need to be made. For one thing, labor of the trades unionist and Socialist persuasions had been admirably docile throughout the war—"loyal" was the word used. But for another thing there was Bolshevism, just born and anything but loyal to the war-makers. The British were the first to see that some reward must be handed out to the workers, both in gratitude for past virtues and as a preventive of possible future vices. At the end of the war, it must be remembered, Bolshevism was threatening to engulf the working class movement the world over.

So the elder statesmen and the older foreign office experts were somewhat surprised when the first session at Versailles set up a Labor Commission, and still more when the Labor Commission accepted the whole list of principles that the trades unionist and Socialist convention had drawn up at Berne a few months previously. This, the so-called Labor Charter, laid down the broad outlines of the International Labor Organization. Later it was incorporated into Part XIII of the Versailles Treaty. Here the language used was idealistic in the extreme. The High Contracting Parties, desiring "Universal Peace" and recognizing that "such a peace can be established only if it is based on social justice," and also realizing that "conditions of labor exist involving such injustices, hardship and privation to large numbers of people as to produce unrest so great that the peace and harmony of the world are imperiled," agreed to form an organization to consider and improve such matters as hours of work, unemployment, wages, industrial sickness and accidents, old age, and (anticipating Section 7-a of the NIRA) "the recognition of the principle of freedom of association."

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The ILO was to consist, first, of a General Conference of all members, composed of four delegates from each, two appointed by the member governments, one by the employers' associations and one by the workers. Under this came a governing body of twenty-four, chosen from the principal industrial powers—twelve appointed by their governments, six by the employers and six by the workers. Permanent headquarters were provided at Geneva and a Secretariat to do the expert and the clerical work. The General Conference was to meet at least once a year, the governing body when required. Money for all this was to be provided by the League of Nations through the Secretary-General.

Procedure was arranged in the Treaty. Selection of subjects for consideration and action is mainly the function of the governing body, which receives suggestions from the members at large. Once on the agenda, the subject is turned over to the Secretariat for study and report. The Diplomatic Division sends questionnaires all over the world to learn how the countries involved feel about the question in hand. From these studies the Secretariat draws a tentative draft treaty for the General Conference to act upon. The General Conference then draws either a treaty or, if the subject does not deserve such high treatment, a recommendation, which must be passed by a two-thirds vote of the Conference. The treaty is then forwarded to the members for signature and subsequent ratification, and if ratified becomes a part of international law. Recommendations are simply what the name implies, and do not involve signature or ratification.

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The first year of the Organization was the best one in number of important treaties drawn. Idealism was naturally highest in the beginning, and at Washington the delegates agreed on five significant measures. These included the institution of the eight-hour day and the forty-eight hour week, the abolition of private employment agencies, provision for maternity insurance and rest periods, and prohibition of night work for women and of child labor under the age of fourteen. To date, thirteen members have ratified the day and week limit, twenty-seven the employment agency ruling, twenty the child labor limit and twelve and twenty-four the other two.

The following year three conventions relating to seamen were drawn up, providing a minimum age of fourteen, a wages indemnity in shipwreck and for public shipping agencies. These were ratified by twenty-three, seventeen and nineteen members. In 1921 a fourteen-year limit on farm workers was proposed, the farm workers' right to unionize was recognized and agricultural sickness and accident insurance arranged, measures which secured fourteen, twenty-three and sixteen ratifications. Four years later the Organization secured twelve and twenty-two agreements to an effort to standardize industrial accident and disease compensation. In 1928 a similar effort on minimum wage technique was ratified by nine members. In 1930 forced labor was outlawed by ten countries—of which, significantly enough, only one was a great colonial power. An attempt to regulate clerical hours was ratified by only two members, and a similar attempt for mine workers by one.

A more detailed analysis of these ratifications reveals many contradictions. Spain and Bulgaria, hardly leading industrial nations, have the best records—Spain with a score of thirty from a possible thirty-two, and Bulgaria twenty-seven. Germany and Great Britain trail with sixteen and eighteen. France and Czechoslovakia have ratified eighteen and twelve. Some of these ratifications are not of much benefit to the workers in the countries concerned. Japan, for example, was glad to ratify regulations on the treatment of immigrants, but ignored almost all those for the protection of sailors. Belgium protects workers in a non-existent merchant marine but has no international concern for her miners. And some conventions, though ratified, are simply not enforced. England agreed to the ban on forced labor, but continues the hut tax system in her African colonies, where natives otherwise indifferent to exertion have to work out a cash levy in months of hard labor.

But the failures and contradictions of the Organization do not condemn it out of hand. It is not an enforcing body, as the League of Nations was once designed to be. It can apply no sanctions to its members, but must rely on

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world public opinion for support. It is not a policy making body, and cannot touch on national issues between labor and capital in the broad sense. Its real function is one of regulation and coördination, accomplished through agreements whose only impetus is persuasion. In a nationalistic, competitive world where economic questions are approached more and more in open struggle, it cannot be expected to produce a new world society. Indeed, it was not designed to do this. Whether its original purpose—to keep the workers of the member countries content with peaceful agitation and away from Bolshevism—will succeed permanently or not no one can say. Certainly the violence of events in Europe in the past eighteen months does not argue a good example to the world proletariat.

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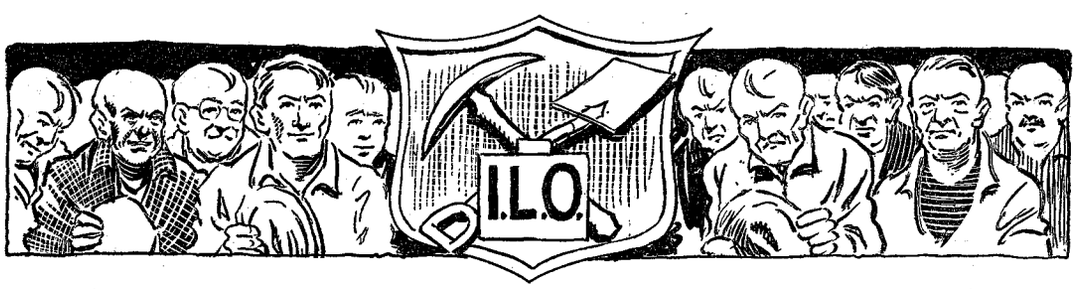
And however sketchy and confused the Organization's record may be, it compares favorably with the domestic record in our own country, where social legislation has been left to the individual states. Looking over this list, it can be said flatly that not one of the International Labor Organization controls is equaled in all of the forty-eight states. On child labor, only twenty-six states have met the Organization's limit of fourteen years. Thirty-six states prohibit forced labor. Twenty-five set an eight-hour day and a forty-eight hour week, but that only on public works. Only six enforce a twenty-four hour rest period in the week for all adult workers. One state provides unemployment insurance, with a few more giving pensions to the aged. Federal laws, including the NIRA, do not cover the whole ground considered in Organization treaties. A few (notably the laws on marine employment) surpass them, but the majority are inferior in social protection.

Whether or not the generous ambition of the sponsors of the resolution will be achieved—the raising of world standards of working and living—is an open question. It does not depend wholly on our decision, for other member countries will have equal say with us at the Conference. And before we can assume the direction of a world uplift, we shall have to bring our own social legislation up to Organization levels. But of this we can be certain: the move to join the International Labor Organization means another shift in New Deal policy. Those who were dismayed at our World Economic Conference histrionics will be reassured. And those who would like to see our social legislation second to none—as it could easily be in the world's wealthiest country—will take heart as well.



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Mosquito District—There She Stands!

By Edward M. Barrows

Can American local government be saved? It is threatened with collapse under a burden of too many districts and subdivisions. Investigation attending the taxpayer's revolution reveals one county with nearly 2,000 governmental units!

THIS year the legislatures in three quarters of our forty-eight states were considering ways of rebuilding our local governments from their foundations upwards. Some have already taken long steps. Before another President is elected most of the others will have been forced to show some results from their deliberations.

There is none of the high-falutin', impractical altruism of the New Deal behind these reforms. Exasperated taxpayers have been banding themselves in local units to bend the political machines to their desire, which primarily is to reduce their own taxes. The politicians realize that they are being asked to dance for their constituencies with their own heads on a platter, and they are loath to accept the invitation. Yet they are powerless before the horde of taxpayers' leagues, citizens' councils, regional planning committees and the like which are making their voices heard all over America today. These have much more than the purely local significance they imagine themselves to have.

With our home-town efforts at civic housecleaning, most of us are familiar. But what the majority do not realize is that the efforts of our own communities are being paralleled, town by town, county by county, and state by state from one end of the country to the other, so that the coincidence of all these single efforts is remoulding our actual political system to an extent which is seldom realized. There is no national leadership for this revolt. There is no need of any. American local government is a welter of obsolescence and special privilege that has its roots in every community. By attacking in each community its own particular root, the whole growth gradually is being overthrown.

The same depression that started the new Federal Commissions, Authorities and what-not on their way, curiously enough is responsible for the counter move toward stronger local governments. Taxes are the connecting link. Business could reorganize and retrench in many directions, but in the matter of taxes it found itself against a stone wall. Protests, public and private, by men who had always taken their political influence for granted because of their business rating, not only failed to lower the tax rates but could not check their tremendous increase in the face of industrial stagnation. Right there began the average business man's new interest in local politics—not in voting the right ticket, but in understanding what the party office-holders did with their time and the people's money. Only one thing seemed clear at the beginning of this uprising three years ago. Taxes were exorbitant and were most ineffectively expended, under the direction of men who apparently could only be reached by votes. So desperate taxpayers *en masse* began seeking a method by which the voting power might be used wholesale.

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They found it in the handful of local taxpayers' organizations which for many years had been having a rather futile and uncertain existence in various parts of the country. There were other potentials toward reform: municipal research bureaus, civic leagues and similar bodies which were far more effective technically, but which had really never been understood except by a select and educated few. The taxpayers' association, with its simple objectives, loose organization and democratic base, furnished the germ of the idea which local non-political leaders everywhere proceeded to work out. By the summer of 1933 about 3,000 of these organizations were at work—a number which coincided roughly with the number of counties in the United States. They were reinforced by special tax committees from Chambers of Commerce and various civic organizations which became increasingly valuable as the fight developed into situations that the original sponsors could not foresee.

The first interest naturally centered on tax reduction. The assumption generally was that the waste and extravagance in local government was due chiefly to illegal and dishonest administration. Many of the early efforts therefore were simply fiats to the party leaders to slash taxes by an arbitrary percentage, or else face prison, or complete political annihilation.

Some amazing consequences followed. Left to their own devices of economy the politicians started curtailing on the modern essential services such as schools, public health, libraries, parks and playgrounds. Particularly they concentrated on such highly technical positions as were more or less free from political control. The result was a civic uproar which for three years has produced large quantities of sound and fury, and in a majority of cases

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little else. This has not been due to any lack of sincerity or zeal by the tax reductionists. They stood generally for both efficiency and economy. But when they tried to get them, hundreds of thousands of earnest citizens realized for the first time how completely out of their hands were the local governments that they had always supposed their votes controlled.

The reason is that, ethics aside, the political tax slashers were operating strictly within their legal powers. It is entirely possible under our present systems of town and county government for an administration to economize by abolishing essential services, while retaining the sinecures useful only for vote getting. More than that, many such sinecures are compelled by law to be maintained, while indispensable services are in a sense extra-legal, and exist only by the sufferance of the politically constituted authorities. To rectify these matters by law requires a state legislative campaign, and in many instances the state constitutions forbid the legislatures to make the necessary changes. Voting an administration out of power is of little use, because the jobs and perquisites remain for the opposition party to enjoy—which universally it does. Briefly, genuine local self-government has ceased to exist in many of these United States for years.

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As usual, we find the explanation in our national history. The county, divided into townships, boroughs, or parishes, which contain villages, towns and cities, is the focal unit of local government. County government is older than the nation. It is an importation, adapted from the English manorial system and brought to this country by the great English proprietors of the 17th Century, notably Oglethorpe and the Calverts in the south and Penn and the Duke of York in the middle colonies. New England from the start had developed a system of local government by towns and counties, based on the English shire government but more completely popularized. So history suggests that our vaunted free governments have never been more than medieval institutions, with their inherent recognition of privileged land-owning and governing classes greatly liberalized to meet pioneer conditions. The Declaration of Independence, with its announcement of personal equality and its limitation of government to the consent of the governed, was designed as a body blow to the ancient ideas. But so far as it affected the actlal forms it was a theoretical blow only, for the old local structures remained after the colonies became states, the frontier spread westward and new states moulded themselves on the old ones.

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They are still in force. In New York, for example, when the Duke of York as proprietor decreed the form of local government he established eight official functions, with the titles of supervisor, constable, collector, assessor, clerk, highway commissioner, overseer of the poor and justice of the peace. This was the list in 1691. During the past century New Yorkers have added the functions of health officer and auditor. Time also has brought about many expansions in organization of these functions and considerable overlapping in their scope. Otherwise official town government in 1934 is the same as it was in 1691. Until the upheaval we are witnessing today, town and county government in practically every state was full of such archaisms.

This was all natural enough up to the middle of the last century, for the pattern of civilized life then varied so little from the century preceding that the same patterns of government were endurable. The trouble is that since 1840 conditions of living have changed beyond recognition. The Duke of York could have felt perfectly at home in the America of Franklin Pierce's day, though the railroad might have awed him somewhat. But both the Duke and the President would be bewildered and helpless by a day in a modern American community, except in the courthouse or the municipal building. In no other phase of life would they understand either the institutions or the common implements of living.

We have reconciled these ancient governments to modern life largely by ignoring outmoded public offices when they ceased to be useful, and then as the new day brought new necessities, taking care of these by special commissions and bureaus, by adding a subordinate department to an established one, by expanding an official function beyond its original purpose, by creating "Emergency" jobs which retain that status from year to year—by doing anything that will take care of an immediate need without going to the trouble of altering our fundamental laws. So we have progressed like the chambered nautilus, devising a new structure for every new need, but always carrying the shell of the old one on our backs.

The country is full of instances of this sort of obsoletism. A recent survey of Michigan showed that over 80 per cent of the 295 justices of the peace had no special knowledge of law, and that most of them had no more than a common school education. As a natural corollary, the survey showed, only 21 of the 296 were called on to exercise any judicial functions in 1932. Of course this does not mean that Michigan was free of minor lawsuits. The real business was carried on by more modern and better equipped courts. Michigan has another quaint institution in its county surveyors. They have no duties, no offices, and no salaries except in Wayne county, seat of Detroit, where the surveyor receives $10.00 a week for services unspecified. But these offices were necessary when the state was young; hence the constitution ordains them and the taxpayers must go to the expense of electing and installing them accordingly.

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New York, like many other states, regularly elects its county sheriffs. They are lucrative offices, the sheriff's fees outside New York City sometimes amounting to more than $30,000 in a single year. The fee system was fixed when the sheriff's office, while not requiring full time, was indispensable for maintaining the peace and for serving legal papers. But in these days of organized crime the whole world knows that any protection the county sheriff's office could offer would be derisory. Instead, the state maintains a modern police organization with automobiles, airplanes, radio, machine guns, gas and tear bombs, directed from a central station with district offices scattered according to population needs. In addition all larger com-

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munities have their own police, with their own minor courts and corps of process servers. With a few exceptions that legitimately could be taken care of in other offices, legal papers generally are served by the litigants. Nevertheless, New Yorkers continue to elect county sheriffs and pay fancy figures for the unnecessary privilege of clearing papers through their offices. The state constitution requires it.

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Mississippi has been studying the work of its county officials with a view to reducing governmental expenses by consolidating counties, thus abolishing duplicate sets of office holders. One instance was found in which the combined expense of four small counties was four times the budget of an adjacent county having a population and valuation equal to that of the four. County boundaries were laid down in the days when traveling time was measured by stage coach and horseback speed over rought, neglected roads. Telephones, automobiles and concrete highways have changed all this for years, but four sets of county officials continue to do the work of one, while the taxpayers foot the bills. New Mexico and Colorado tax organizations are fighting similar conditions. Scattered counties still maintain two county seats with duplicate court houses, jails and officials because fifty years or more ago towns now within forty minutes' easy ride of each other, were a day's arduous journey apart.

A volume could be filled with such instances, covering every state and most of the counties in the union. They involve not only the elective offices and commissions, but millions of dollars in fees and expense accounts for services which have not been performed, but which are legally collectible in accordance with ancient laws. We have communities whose political boundaries have no bearing on their actual areas; jobs without offices and offices without jobs; tax levies for purposes that have ceased to exist, inefficiently diverted for necessities for which there is no legal provision.

The reverse side of the picture is equally incongruous. Modern government is complicated. Even the worst administered units must utilize men with technical training in highway and sanitary engineering, library and playground administration, and in certain highly specialized school branches, to name only a few instances. These are the men on whom the public must rely for any actual service. Yet our towns and counties were organized before the body of knowledge even existed on which such services rest. There is no constitutional provision for such officials; their status is consequently uncertain and subject to change without notice.

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An organization, a typical makeshift, is the "special district" scheme. It often happens, sometimes for a park or drainage system, that a local government is unable legally to issue bonds or otherwise set up the machinery for administering some absolutely necessary function. So an obliging legislature sets up a special administrative district which has the same corporate limits but is not legally identical with the government it is to serve. Then the same citizens are taxed to support the special district and the local government simultaneously. There are times when such a maneuver is not a subterfuge, but is valuable; but for every case of its legitimate use there are a score of examples of its misuse. What with sanitary districts, park districts, school districts and various other tax districts, citizens of Chicago in 1930 were reported to be supporting over 900 separate governmental units!

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New York State supports 2,400 such improvement districts, besides 9,400 rural districts, fifty-nine cities and 529 villages as separate units inside its fifty-seven counties. The state contains about 15,000 local elective officials with constitutional status, not including the state legislature and state administration with its vast civil service personnel, the local school boards, the state militia organizations and 11,000 tax collectors—an average density of about twelve tax collectors per town. The actual number of public officials is of course greater in New York than in other states but the per capita number is not materially greater. A recent report by D. C. Shilling of Western State Teachers College, Kalamazoo, showed that Michigan in 1934 has eighty-three counties and 1,268 townships, each of which is required by the constitution and statutes to maintain a practically uniform governmental organization, regardless of population and taxable wealth. This means that the 1,728 taxpayers in rural Oscoda county must maintain the same town and county officers as the 1,888,946 taxpayers in metropolitan Wayne county!

To consider the other end of the nation, Los Angeles county, California, according to the California State Chamber of Commerce, maintained in 1930:

160 school districts
294 acquisition districts (and improvement districts)
3 cemetery districts
11 drainage districts
1 flood control district
1 county library district
65 lighting districts
32 lighting maintenance, mosquito abatement and park recreation districts
91 road districts
5 sanitation districts
3 county water districts
28 fire protection districts
1 metropolitan water district
8 waterworks districts
982 county improvement districts
38 opening and widening districts
5 special city and county improvement districts
4 districts organized under the Act of 1915.

Including villages and incorporated town and cities, the county has ". . . between 1800 and 1900 different governmental units for which taxes or assessments are levied." This county is now undergoing a complete modernization.

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With such conditions, entrenched behind formidable local political machines, and further safeguarded by so many decades of public indifference that they have become traditional, it is small wonder that so many of the first efforts of the hastily organized tax associations do far more to abolish the value received for their taxes than to lower the taxes themselves. To begin with they are, in one sense, amateurs trying to deprive professionals of their livelihood. The political organizations have no wish to have their patronage to contracts, perquisites and office sinecures disturbed, and they have made a profession of

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seeing that they are not disturbed. Clever party leaders can make economy a greater burden to the voters than high taxes, and this has been done on a nation-wide scale. The favorite method has been to cut down on the tax-supported welfare activities. This is adroitly done. Politicians know that these functions are costly, and that their community value is indirect; also that the trained workers in charge of them are generally not so subject to political influence. On the other hand they are apt to be the pet civic interests of the Women's Clubs, the Rotary Clubs, the clergy and others who consider themselves the social and ethical leaders of the community. By attacking such services in the name of economy, the politician kills many birds with one stone. He apparently falls in with the tax association's plans. At the same time he is abolishing the jobs that are more or less of a nuisance to him anyway, while he is setting the influential social elements of the community at loggerheads with the tax reductionists. While these warring elements are fighting it out among themselves, he can reorganize the government along his own lines, all in the name of efficiency and economy. Such "reform" generally has the backing of a large unthinking population who want taxes slashed and are indifferent to methods so long as paper results can be shown.

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By 1933 the results of two years of this sort of economy showed themselves in some very startling national figures. As compared with 1929, library service both in books and personnel was reduced nearly 43 per cent in the face of the greatest demand for library services this country has ever known. Park and playground extension practically ceased and maintenance was reduced by 65 per cent—a point so low that park authorities now claim that it will take many years of extra expense to redeem the parks from the consequences of neglect. Fire and police appropriations fell off approximately 27 per cent. Capital expenditures for schools were reduced by 57 per cent. School maintenance was cut by percentages ranging from 2 to 29 per cent in different states. These figures tell their own story. It is evident on all sides that the technical, non-political additions to our local governments have been the real sufferers, while the governmental skeletons of our grandfathers, with their supervisors, surveyors, coroners, overseers and other outmoded paraphernalia, rest snugly in their closets undisturbed.

A reaction has now come which, characteristically, the politicians did not foresee. Reform waves always have been as short lived as they are common. A Tammany patriot recently remarked "Reform waves are like bees. They sting you once and then die." This has so long been an axiom in American politics that very few organization leaders know what to do if the reform spirit persists—as witness Cincinnati—and in this case reform not only persisted but stung harder. Many of the leaders of the tax uprising are business men who give little or no attention to politics, but who have taken as a matter of course their years of ceaseless battling against competition, much of it as unscrupulous as the opposition they are now encountering. Such men do not rest after a temporary victory, or accept defeat as final. The tax reduction effort is stronger than ever in America today, but its basis has changed. Finding that their demands for decent economy were obstructed by their own laws, the tax associations assailed the laws. This brought them in contact with their state legislatures, where it was forced home to them how completely taxes are inevitable to government. They began searching for help in dealing with their problem along lines of general governmental reorganization.

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This brought into the picture a number of nationally organized institutions for the scientific promotion of good government, many of which had been laboring patiently for years and awaiting just such an opportunity for public support as this. In 1932, when the disruption through tax slashing was at its height, representatives of twenty national civic organizations met in Washington at the instance of the United States Department of Education, to consider methods of saving the essential community services from over-zealous economy. The conference issued a general call to the civic organizations of all communities to organize "Citizens' Councils" composed of representatives of each civic group. These councils were to protect the various interests for which its members stood, in the local attempts at economy. The National Municipal League was entrusted with the nation-wide promotion of the Citizens' Councils. Its efforts, reinforced by independent movements all over the country, have resulted in the formation of about 200 such groups, with several hundred older civic organizations, among them many taxpayers associations, adopting the Citizens' Council idea and functioning as such in their own communities. At present most of the national bodies promoting the cause of scientific government in America are supplying information and aid to the progressive local tax associations, state and city bureaus of municipal research and similar citizen groups that are trying to bring about reorganization. They have been able to turn what otherwise would have been sporadic outbursts of civic ill temper into carefully planned campaigns with definite objectives.

The chief objective today is county reorganization. This is natural when the position of county government in America is considered. What it involves can be illustrated by the struggle in the New York legislature which has just adjourned. In his annual message last January Governor Lehman urged the necessity of legislation which would permit New York State counties to reorganize on their own initiative. He recommended (1) reorganization of county and town governments, (2) revision of city charters, (3) special revision of the New York City charter. During the session eleven bills were introduced by the two major parties in accordance with his message. Boiled down they offered modernization of the county structure on five alternative lines: County President, County Executive, County Manager, County Commission and County Board. The effect of any of these would have been to simplify county government, abolish useless offices and concentrate responsibility on a few officials with specific functions. The idea was to submit various forms for a new government to county referendums, so that the voters could make their choice, or could retain the present cumbersome supervisor system if they preferred.

Besides these bills the legislature had under consideration eight constitutional amendments and four important general bills providing for improvement in county government, most of them on the basis of Home Rule. The Mastick Commission, appointed at a previous session, had already made an exhaustive study of the subject and its recom-

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mendations were embodied in two bills introduced by Senator Desmond. Nevertheless the legislature wrangled over the subject for four months, in the face of increasing irritation throughout the state, each party striving to throw the onus of inaction on the other. Finally the Fearon Bill was passed, empowering any county outside New York City to adopt a new charter by popular vote, which provided reorganization within rigid limits. Meanwhile the Mastick Commission is empowered to restudy the whole matter and report in 1935. This settled the matter to the satisfaction of the politicians, but not to the people. Bitter resentment over the legislature's inaction was reflected, not only among the taxpayers and civic associations but among the county newspapers of both parties. Then the legislature tried to dispose of New York City's need for charter revision by appointing a charter commission to report at some unspecified future date. This was going too far, and the governor has retaliated by calling a special summer session of the legislature to take up the subject of charter revision that it evaded in May. Upstate reorganization enthusiasts have taken this opportunity to agitate for a reopening of the whole question of county reform at this special session also, to the disgust of legislators who would have preferred spending the summer whitewashing their political fences.

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Harried local statesmen are facing the same trouble all over the Union. At the end of the sessions just closed legislative commissions were studying county reorganization in Connecticut, Colorado, New York, Massachusetts and Tennessee, while official bodies were studying the same subject in Alabama, Maryland and New Jersey. County consolidation on a state-wide basis was up for consideration in twenty-five states. In twelve states introduction of the manager plan of county government was agitated. These might be classed as major efforts, backed by determined groups of citizens who are prepared to continue the fight for reorganization until it is won. In practically all of the state legislatures, one or more bills on the subject were introduced.

In a general way county reorganization is being agitated along seven specific lines. The attempt is to relocate town and county boundaries in accordance with present day transportation and industrial needs; to consolidate counties and townships whose historic need for independence is outworn; to turn over outmoded institutions to state control; to reduce the number of public officials and increase their responsibility; to provide for necessary social services that always have been extra-official; finally, to make sweeping internal changes in methods of government.

The opposition of old-line politics is still overwhelming, but this cannot last long. In the face of the mounting public sentiment that is forcing the issue into the legislatures, the state political parties are beginning to yield. In Alabama, for instance, one candidate for governor announces a platform with county reorganization as a major issue. In Mississippi several legislative candidates are running on the same issue. In Tennessee a legislative committee has been appointed to report on a plan for county reorganization at next winter's session. Several states, Maryland, New Jersey, Wisconsin, Massachusetts, among them, have appointed state planning commissions to work out reorganization methods. Throughout the country hundreds of county and regional planning boards are working to the same end. Some substantial results are already showing. Virginia has altered her constitution to make the county manager plan optional for any county, and four counties already have taken advantage of the option while several others are considering the change. Texas, Ohio, Minnesota and California have adopted sweeping constitutional changes which will permit any of their counties to adopt by referendum one of several advanced forms of local government. Changes toward efficiency in personnel and in methods of county government are making headway. For the first time in the history of scores of counties, adequate accounting systems are being installed, departments are being budgeted, civil service is being urged as far as state laws will permit and the principle of technical men for technical jobs is becoming commonplace. By various means, authority in overlapping departments is being concentrated on one set of officials who are being made to live up to their responsibilities, without waiting for the legislative action which would make such improvements simpler.

In all these changes the school systems have their part. State control of the schools is being emphasized, the extreme example being North Carolina, where the entire responsibility for education as well as for highway maintenance has been taken from the counties and centralized in the state. The same tendency is manifest in many other states. In many places county almshouses, hospitals and reformatories are being transferred voluntarily to state supervision, thereby removing some of the worst cesspools of local politics.

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EDITORIAL

Summer Quiet

BY Executive Order, summer quiet reigns along the hot and stifling banks of the Potomac. In closing a crowded desk at the end of a difficult fiscal year, which found the national debt at a record high, a high which is completely illustrative of the New Deal program of buying nothing for a considerable something and thereby promising to cure all our ills by exchanging new debts for old, the President did not forget to express the hope that everyone who had been engaged in the arduous task of wrecking a Jeffersonian democracy, and who possibly could, would take a nice long vacation. To our Mr. Ickes's good-natured annoyance, a large portion of his division (a division 4,000 strong) in the Babylonian army of New Deal Bureaucrats was subsequently caught by their annoyed department chief resting at their desks, silently and stoically carrying out the orders of their President. This shocked the Secretary of the Interior no end, and he delivered a friendly little lecture which made it clear that the suggested vacation mentioned was intended for the thinkers and administrators only—a rest, he forgot to explain, which the country greatly needs.

But the nature of the situation, which likewise had no regard for the Executive Order, also required that there could be no rest for many of those implicitly and gratuitously included in that order. This rises out of the unforeseen circumstances that at the present moment so-called liberal thought, on the score of consistency alone, finds itself, as never before, fallen upon evil days. And the natural consequence was that there could be no vacation for, nor any attendant quiet from, our Mr. Tugwell, who found it necessary to sally forth in the heat of the season to sell the last remaining undropped New Deal major experiment—the AAA—to the troubled and drought stricken farmer. The farmers learned what the host of Mr. Tugwell's friends and admirers in the fortunate East had known for a long time, namely that he was a distinguished looking (as greying hair makes so many of us distinguished appearing) quiet spoken worker and that AAA remains what it always has been—the quintessence of the unworkableness of the New Deal theories.

It is certainly to be regretted that the Executive Order for summer quiet could not have been possessed of slightly more King Canute power, so that the inevitable consequences of the impractical planning of the New Deal could have been postponed beyond the summer solstice and the quiet over the Potomac could have been recorded as a nation-wide phenomenon, at least until the *Houston* returned. To this beneficence we were not heir. The havoc of opportunistic planning is obviously beyond Executive control. The New Deal defenders and apologists have been in considerable haste to explain that the late spring and full summer epidemic of labor strife is merely the inevitable symptom of recovery. The apology, based as it is in statement upon historic precedent, covers neither the degree of violence nor the extent of our present uncalled for and unnecessary labor difficulties. The general strike in San Francisco cannot be explained on any ground other than that of proof of the unfulfilled and unfillable promises made politically and opportunistically by the Democratic Administration to the labor barons in that decidedly unplayable note 7-a, in the dying NRA tune.

So in the second summer of the New Deal we are reaping the inevitable whirlwind. In the hour of our bitter reward we cannot but wonder how many more seeds, which in due season will put forth the same kind of fruit, have been planted in the New Deal legislation.

Some of these are apparent, but many are deeply planted and hidden. When the Administration gratuitously took over the nation and decided to run the entire country from Washington, it was overlooked that such a task would require services and ability not readily available to the government, at least not for an indefinite period of time. The personnel problem of the New Deal is even now beginning to achieve the proportions of a major crisis.

It is noteworthy that as this new fissure appears in what was intended to be a Utopia by Legislation that a movement begins which seeks to prove that the Brain Trust as a planning power is a myth, that its members so-called contributed nothing to the organization of the program and that the Democratic scheme for our economic salvation was *in toto* a pre-convention idea of Mr. Roosevelt's.

The record obviously should be made straight on that point. But in such details it should not be subject to constant, politically expedient change. If this is to be permitted, conceivably there might come a time when in the interests of that expediency it would be advantageous to expunge from the record all reference to a New Deal.

The record as it now stands then is that the pre-convention idea of Mr. Roosevelt's takes both its name and its underlying theory from the writings of Stuart Chase; and that underlying theory, expanded for the purposes of popular appeal, is that we exist in a total, surplus economy.

Taxpayers money has been well spent then to prove the complete fallacy of this over-worked thought. The first report to be made public of the National Survey of Potential Product Capacity (NSPPC) which appears in this issue of NEW OUTOOK under the signature of Robert R. Doane, the director of the survey, proves that in only two categories (and cotton is not one of them) of our agricultural establishment have we the means to produce to a minimum consumption requirement of the total population. In this economic-measured sense we have no surplus in milk, no surplus in fats (including bacon) none in citrous fruits, none in meats, none in eggs. We have a critical deficiency in housing and are without the technological facilities to meet this need at a rate which decency demands.

These and similar startling findings of the NSPPC cannot fail to be of vital interest to all Americans who have been deluded into a state of despair over the unbelievable predicament of *want in the midst of plenty*. "It becomes apparent," writes Mr. Doane in the report of the survey which he has made for NEW OUTOOK, "that the only 'abundance' in the American economy today, as well as in 1929, is one of work yet to be done." When that thought dawns in Washington, "summer quiet" will be over there too.—F. W.

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Economic War Reports

Compiled by Edward H. Collins

American Front

IT HAS BEEN POINTED OUT frequently by economists who had studied post-war tendencies in world trade that currency depreciation was of doubtful efficacy as a means of permanently increasing exports. In the post-war era currency depreciation was countered by higher tariffs in other nations, and thus soon lost its force. Since the Depression, however, an even more effective means has been found of meeting this form of export subsidy, namely, the quota system. France was the pioneer in the field, embarking on the policy in 1931 and enlarging the area of quota restrictions during the next three years until more than 1,100 items were included. Germany has carried the policy even further, however, in an effort to protect her rapidly dwindling gold stocks. The net effect of these devices is to be seen in recent trade figures of the United Kingdom and the United States. British exports have risen within the last few months, but the rise has not been at the expense of the gold countries, but with those countries belonging to the sterling area. In other words, the artificial stimulus of depreciation has worn off. Similarly, after a heavy temporary expansion of exports the United States has found it more and more difficult to benefit from currency depreciation. Exports in May, which should have held within 1 per cent of April, fell 11 per cent, and imports, which should have declined 5 per cent, were up 6 per cent. It is now reported from Washington that the next step will be a drive to employ the tariff bargaining powers placed in the hands of the President by the last Congress. The broad plan, it is said, calls for the admission to the United States of $200,000,000 more foreign goods than the country now takes. This may not be as easy as it appears. The experience of the Roosevelt Administration in seeking tariff favors through admitting liquor has indicated one thing clearly, namely, that foreign countries are not going to be satisfied with empty concessions, such as the expansion of our consumption of non-competitive goods.

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British Front

GREAT BRITAIN is growing more anxious about its export trade, and well it may, judging by the foreign trade results for June. The trade deficit was larger than in the previous month and in the same month a year before; it amounted to £24,740,000, against £24,181,000 in May and £20,013,000 in June, 1933. Imports rose in the year £7,400,000, compared with an export increase of only £3,700,000, and re-exports were £950,000 lower. Some British interests are taking alarm at the worsening of the foreign trade deficit, while others, such as the Midland Bank, have been trying to explain it away. The increased imports are said to be due to the trade recovery at home and represent, anyhow, Britain's contribution to business improvement in countries producing primary products. Before the gold standard was abandoned in 1931 the large surplus of imports was not viewed in this favorable light at all. Nevertheless, unemployment has increased in Britain for the first time since January, owing chiefly to the sharp decline in coal output. The wool trade is badly depressed, owing to a decline in purchases by the *gold bloc* countries, such as Belgium, France and Italy, where trade is bad, and by Germany, where it is worse. Britain has recently been trying to push its export trade by means of the trade agreement device, of which it is so fond. British export manufacturers have just obtained some concessions from Canada, New Zealand, Esthonia and Lithuania, but these advantages may be more than counter-balanced by the difficulty in trading with Germany.

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Japanese Sector

Japan furnishes another example of the fact that currency depreciation is not the specific for all trade ills. The Japanese steel manufacturers may think that it is wholly good, for they have come in the last year to exporting steel for the first time in any quantity. Exports last year were around 250,000 tons, but comparisons with previous years are not possible because exports of steel were so trivial that nobody bothered to keep track of the figures. But even Japan, with its 64 per cent depreciated yen and its low wage scales, is finding its match in Manchukuo, whence imports are now beginning to come in greater volume. While Manchukuoan imports from Japan increased 93 per cent last year and exports to Japan decreased by about 12 per cent, by now Manchukuo has begun to give a better account of itself, thanks to the development of its industry which has come about under Japanese tutelage. Manchukuo is now better placed to compete with Japan in iron and steel, soya bean production, breweries and flour milling. Much to the discomfiture of Japan, Manchukuoan interests are talking of establishing a cotton and wool textile industry. In spite of the devaluation of the dollar, Indian cotton has a price advantage over American cotton in Japan, with the consequence that Japan is now importing two and a half times as much cotton from India as from this country. This is one reason why various groups in the United States have been cam-

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paigning for another reduction in the gold content of the dollar.

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Brazilian Front

SPONSORS OF THE PROGRAM of surplus reduction by destruction in this country will doubtless get a meed of satisfaction from what has been happening in Brazil during the last four years. For Brazil is already claiming success for its coffee-burning policy. Brazil started to tackle the problem of its coffee surplus in April, 1930, with the proceeds of the $97,000,000 loan to Sao Paulo. It bought up 479,000 bags of low grade coffee in 1930, 8,376,000 the next year, 9,949,000 the following year, and during the first 11 months of the current season 10,114,000. In consequence, world stocks of coffee are down from 64,286,000 bags to 51,723,000. Brazil sees complete victory in sight in a year or two. Whether there is any lesson in this for the United States, however, is a question. Brazil has profited from a steadily rising demand for coffee, and from the fact that she has a partial monopoly on the world's supply.

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Russian Front

WHILE THE REST OF THE WORLD weighs the respective merits of deflation and devaluation as a trade reviver, Soviet Russia has done a little bit better by itself with a policy that may be said to combine both devices. The ruble is of an indeterminate value, altered to suit the occasion, and the price of Soviet exports is usually fixed at whatever figure is necessary to move the goods. The success which the Soviet is having with these tactics is shown in its trade results for the first quarter. In that period the Soviet Union had an export balance of 35,113,000 gold rubles, as against an export surplus of 17,655,000 gold rubles in the corresponding period a year ago. Exports in the quarter were 84,595,000 rubles and imports 49,400,000. Of the ten major markets for Soviet goods, only Persia had a favorable balance in its Soviet trade. The largest export balance was with Germany, totaling 6,173,000 rubles, followed by one of 4,947,000 with Great Britain and 3,801,000 with France. The chief export was petroleum and its products, amounting to 15,187,000 rubles in the quarter, and the leading import, as might be suspected, was boilers and machines, totaling 9,339,000 rubles. It is worthy of note that the Soviet Union, whose trade balance with the United States formerly was heavily adverse, now is selling more to this country, by a tiny margin, than it buys. Soviet purchases in this country are less than a tenth of what they used to be. Though it has been several months since the United States recognized the Soviet, trade between the two nations has not shown any increase.

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Dutch Sector

THE DIFFICULTIES inherent in a deflationary policy have lately been exemplified in Holland, one of the stanchest members of the *gold bloc*. When the government moved to put its deflationary measures into effect and cut pensions, a major demonstration of protest was staged, violence developed and troops and tanks had to be summoned. Several deaths resulted from the use of force in suppressing the riots. That is the problem the deflationists face; but if they are resolute and unswerving enough to carry the policy through to its logical end they may in truth be able to restore the nation's trade without resorting to devaluation. It is important that Crena de Iongh, new president of the Netherlands Trading Society, the largest trading and banking company in the country, has lined himself up on the side of the deflationists, along with L. J. A. Trip, president of the Netherlands Bank, the country's bank of issue, and the Dutch Premier and Minister for the Colonies, Dr. H. Colijn. Mr. Trip believes that the commercial banks are liquid enough and the central bank well enough fortified with gold to allow the deflationary measures to be adopted without fear of a financial upheaval. For his part, Dr. Colijn has succeeded in trimming the Dutch Indian budget by 250,000,000 to 300,000,000 florins in two years. Like France, Holland must decide without delay between deflation and devaluation for her trade's sake.

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French Front

THE POLICY OF DEVALUATION is entering more respectable company in France. The most important currency news in months, it may be, is that former Finance Minister Paul Reynaud, discussing fiscal reform in the Chamber of Deputies, made what amounted to a suggestion that the franc be devaluated overnight as the best escape from the dilemma France finds itself in today. Of course, the Doumergue government brushed M. Reynaud's suggestion aside, but the devaluationists had gained an important advocate. The only alternative was to cut prices, M. Reynaud declared, which the government was loath to do, even though it had appointed committees for that purpose. One accomplishment of the price-reduction movement is the suppression of the luxury and turnover taxes, which should aid the stagnant tourist trade a bit. While France reduced its trade deficit in the first five months to 3,300,000,000 francs from 10,000,000,000 francs a years ago, it did so in great part at the cost of the standard of living. The jobless problem is still acute, with the unemployed around the 311,000 mark, an increase of 59,000 in the year. The number of persons on the dole in the Paris region alone is 20,000 higher in the year, and department store sales are down from 10 to 20 per cent. Devaluation of the franc, in the light of these conditions, is by no means a dead issue, however much more advantageous it may be theoretically to reduce prices instead of the gold value of the franc.

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German Front

IN NAZI GERMANY there has been a still more visible connection established between debt service and trade. When Dr. Schacht announced that he was suspending service on the Dawes and Young loans (along with all other medium and long term German debts), he was setting up a base from which he could retreat strategically. It is significant that he has relented in this moratorium only in the case of those countries which buy more from than they sell to Germany. First, Britain virtually forced the Reich to resume service on the debts by threatening to impound the payments due on German imports; and then Holland persuaded the German authorities to retract their moratorium decree on the Dawes and Young issues, and finally France reached an advanced stage in the negotiations for similar treatment. To the United States, though, Germany has turned the cold shoulder, hoping to win from this country some trade concessions in return for the restoration of service. Meanwhile, Germany has cut her purchases more than half from the United States, partly in answer to the American boycott against German goods, partly through lack of the means of payment for exports.

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Uncle Sam, Peddler of Electric Gadgets

By Ted Leitzell

In the inevitable growth of our alphabet bureaucracy, EHFA is the natural consequence of TVA. The writer explains how the EHFA has made a door-to-door peddler of electric gadgets out of Uncle Sam and some of the fallacies of his sales campaign.

IT was during the World War that Uncle Sam hastily built Wilson Dam across the Tennessee River at Muscle Shoals, Alabama. With it he built two plants for the fixation of atmospheric nitrogen to be used in the production of explosives. When the war ended he was left with a dam on his hands that had little use in peace time, and with two nitrate plants, one of which never did work. The other was soon obsolete.

Generating capacity in southeastern United States was already far in excess of demand. Muscle Shoals became a white elephant on the government's hands. It could not be sold except for ridiculously low prices; the utilities operating in that section were willing to lease it if the cost would be low enough to make production cheaper than in their own plants. Chemical companies could use the power in their industry, but their bids were absurdly low. Henry Ford wanted to buy it to produce aluminum, but made satisfactory arrangements for the purchase of this commodity elsewhere and withdrew his offer.

For many long years Senator George Norris waged a lone battle for government operation of Muscle Shoals. He succeeded in preventing the sale or lease of the dam, and frequently got legislation for government operation through Congress, only to have his bills vetoed. It seemed hopeless, but Norris was a persistent fighter. With the advent of the New Deal he achieved a strange victory: Congress passed the Tennessee Valley Act, setting up the Tennessee Valley Authority.

The TVA is far more than a government-owned and -operated utility company. It is authorized to produce and sell electricity, develop and sell fertilizer, and carry on a regional experiment in planned social economy, using the natives like guinea pigs in the sociological experiments of the professors in charge.

The three directors of the TVA are accountable directly to the President. Chairman A. E. Morgan was president of Antioch College, Director H. A. Morgan was president of the University of Tennessee, Director David E. Lilienthal, in charge of the electric program, is a brilliant young attorney who is the White Hope of the liberals and currently the *bête noire* of the Power Trust.

Back in the days when he edited the *"Public Utilities and Carriers Service"* for Chicago's Commerce Clearing House, Dave Lilienthal was not quite so concerned about government operation of utilities. He had always paid lip service to liberalism, but the legal service he edited was a high priced one. Most of the customers were horrid members of the Power Trust or big, bad attorneys who taught the "power boys" how to mulct the public. They were forced to subscribe to Dave's service because it gave them up-to-date digests of legislation and court decisions affecting their operations; they couldn't do the things they have been so heartily damned for doing without accurate information on just how far they dared go.

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When the crash came in 1929 Lilienthal's liberal tendencies became more pronounced, and it was not long before he was a member of LaFollette's Railroad Commission, regulating the activities of Wisconsin's Utilities. He was not chairman of the Commission, but it took him only a few months to dominate it. Here he fought and won a battle with the Wisconsin Bell Telephone Company, his first big victory over the "vested interests." He had become Galahad, and, incidentally, front page news, which put him on the way to bigger and better things.

In the primaries of 1932 indignant Wisconsin voters threw LaFollette into the discard, but Lilienthal was already established. He soon had his job as power director of the TVA.

Lilienthal has a beautiful theory about power. He believes that rates are too high everywhere, and that they thereby discourage the use of electricity. He recognizes the fact that fixed charges for plant and equipment are unavoidable, and believes that the only way to make them relatively unimportant in the consumer's bill is to increase consumption many times over. He further believes that drastic rate reductions will increase consumption more than enough to make up for lost revenue, and he has the evidence on his side.

Mr. Lilienthal also believes that there is at present a stalemate in the electrical business; utility companies won't cut rates until consumption increases, consumption won't increase until the public uses more household appliances, the public won't use more appliances until they are cut in cost and until rates are reduced, appliance manufacturers

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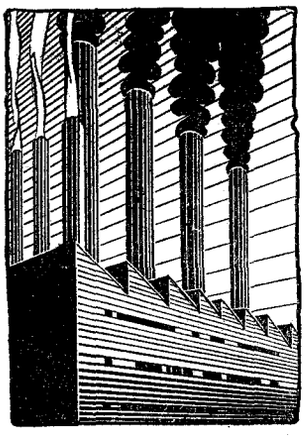

won't cut their prices until they get greater volume, which they cannot do until rates are lowered, etc. To correct this situation in the Tennessee Valley he has organized the Electric Home and Farm Authority subsidiary to the TVA, with the avowed purpose of increasing appliance sales and thereby providing a market for TVA power. In so doing he has imperiled his now brilliant reputation, for he has wandered from the fields of law and utilities, which he knows, to the field of merchandising, which he obviously does not know.

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The Electric Home and Farm Authority is a Delaware Corporation, entirely owned by the government, and officered by the TVA directors. Lilienthal is president. It has a capital of $1,000,000 supplied by the NIRA, and credit of $10,000,000 with the RFC. Its powers are very broad, including, to quote from its charter:

"To aid in the distribution of electrical appliances and equipment by financing the purchase thereof through the lending and advancing of money, extending of credit and guaranteeing of obligation of individuals, firms, corporations, and others upon the security of mortgages . . . and in general to carry on in connection with such financing a chattel mortgage-loan business.

"To manufacture, buy, sell, deal in, and to engage in, conduct and carry on the business of manufacturing, buying, selling and dealing in electrical appliances and equipment and in goods, wares and merchandise of every class and description necessary and useful for the operation of the corporation."

After announcing very low retail rates for electricity, and signing contracts with Commonwealth and Southern subsidiaries which involved a stand-off agreement, exchange of power, moderate rate reductions by the C & S companies, and the purchase of some of their rural transmission lines by the TVA, Lilienthal next started negotiations with appliance manufacturers. His object was to secure low priced appliances of good quality which would be sold through regular dealer and utility distributing organizations, and financed over a three or four year term by the EHFA. He stated that the low rates and low priced appliances would extend the blessings of electricity to almost everyone, and would consume much of the power to be produced by the new dams projected or under construction.

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A bulletin issued by the TVA on February 3, 1934, says the plan is expected to work about as follows:

"Mrs. Jones will go to an existing dealer in electrical appliances in her home town and select a model of one of four types of electric equipment—refrigerator, electric range, electric water heater, and a typical piece of farm equipment such as portable motor or water pump. She will sign appropriate papers and the dealer, after her credit has been passed upon, will transmit these papers to the Electric Home and Farm Authority, which will pay the dealer in cash and the dealer's responsibility except as to contingent credit losses, will be ended. Delivery will then be made to Mrs. Jones.

"In order for the plan to be open to the dealer and to Mrs. Jones, it will be necessary that the local electric company shall have submitted rates to the Electric Home and Farm Authority which meet that agency's approval as being low enough to make the use of such appliances feasible for people of small income. Each month the local electric company will add to Mrs. Jones' bill for electric energy an item which in four years will amortize the total commitment for appliances together with interest. These collections, the electric company will remit to the Electric Home and Farm Authority."

In actual operation the EHFA held close to its announcement of February 3. One or two threats of government manufacture were enough to bring the appliance manufacturers into line. By May 1, three companies were approved for refrigerators, seven for ranges, and eight for water heaters, with many more to come. Cities totaling nearly 200,000 in population had signed up for TVA power, although Knoxville, by far the largest, had to whip a defiant local company or build its own distributing system before it could use the power and quote TVA rates. Tupelo, Mississippi, a city of 6300 (1930 census), with 899 electric meters in service in the spring of 1934, had already been connected, and was publicized throughout the land for the reductions it was making in consumer's bills.

A crew of canvassers were put on the job in Tupelo. Their salaries of $125 per month were paid by the EHFA; their job was to tell the public what nice appliances were for sale and how much fun it would be for Mrs. Housewife's husband to buy them. A big demonstration was held, showing the appliances. Visitors were high pressured about electricity, but no orders were taken. That was left to the dealer in his shop. Press releases made a great to do over the success of the demonstration, quoted dealers about the wonderful increase in business, but no concrete sales figures were ever published. There was a grudging admission that water heaters were new to the public and needed a "lot of selling."

The next step is for the same crew, and others like it, to start work in coöperation with the Georgia Power Co., Alabama Power Co., and the Tennessee Electric Power Co., all subsidiaries of Commonwealth & Southern.

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A sound sales program always starts with a careful analysis of the market. The marketing area is studied to determine the number of potential customers, the money they have to spend, the types of merchandise they will buy, the reasons back of their buying habits, the competition to be faced, and the effect other aspects of the company's business will have on the sales campaign. Apparently, the EHFA studied none of these factors. At least, their program shows little recognition of the problems before them.

The Tennessee Valley itself has a population of about 2,000,000 with 6,000,000 more in the sphere of influence of the TVA. Of these, approximately 40 per cent are colored, typical examples of impoverished southern Negroes. A large percentage of the remainder are poor white, almost as bad off economically as the Negro. There are few large cities; most of the population is rural. Industrial development is poor, and retail sales *per capita* average only about

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50 per cent of the national figure. There are few electrified farms; in 1932 less than 3 per cent had electric service, although the national average was over 11 per cent, and the prosperous eastern and mid-west states north of the Mason and Dixon line had more than 20 per cent of their farms electrified.

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The farms themselves are miserable places, and their occupants lead wretched lives. Average income for the boom year of 1929 was less than $1000 per farm, and this is by the U. S. Census which includes the value of products consumed by the farm operator's family. Much of the land is almost worthless from erosion, over-grazing and lack of proper fertilization and/or crop rotation. Many of the homes are slovenly shacks, dirtier and less comfortable than an average cow barn of Wisconsin or Illinois.

The cities are little better. Like the rural sections they are backward, packed with illiterate Negroes and poor whites, and in general far below the standards of modern cities in other parts of the nation. The percentage of wired homes is far less than in northern cities, retail volume is lower, and cash incomes are smaller. Much of the industry is dependent upon cotton and on the rural incomes from cotton; there is little indication that the AAA program is going to bring permanent prosperity to the cotton grower, and there is every indication that the textile industry will suffer heavily in the future from foreign competition.

In selecting its merchandise, the EHFA paid little attention to what the customer wants. The principal objectives seem to have been the amount of current an appliance would consume, and the value of the appliance to the consumer in the eyes of sociological professors. Consequently, radios were overlooked, for they consume little electricity and are frowned upon by great minds. Nevertheless, they are more in demand than any other major appliance, and contribute heavily to increased current consumption by their tendency to keep people up later in the evening. Amos & Andy are probably worth about a million kilowatt hours a week to the utilities of the nation.

The No. 1 EHFA appliance is the electric refrigerator. It is their only bull's eye; it is much in demand in the South and with low electric rates gives excellent refrigeration for a fraction of the cost of ice. Unfortunately, the choice of models was not so happy. Eighty dollars buys an EHFA approved four-foot box, too small even for a family of two, far too small for the prolific families in the low income brackets who are to be improved and uplifted by cheap electricity. Furthermore, it is really not a startling bargain; it is about the same value that has been available all along through the great mail order houses. Of course, dealers are not as enthusiastic about these cheap models as about their regular line of high priced merchandise. Neither are the manufacturers, but what could they do about it?

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Electric ranges have some possibilities. The EHFA models have three burners and are of good quality. However, they lack the one feature that gives the electric range superiority; automatic timing. Women in general prefer gas ranges to electric. They are usually cheaper to operate, and they cook better; at least, women think they do. But electric ranges consume 200 to 300 kwh per month, making them great load builders for the electric company. So the EHFA is pushing them, although natural gas competition is going to make them hard to sell in many portions of the South. Some years ago there were many electric ranges sold in Tupelo, but when the EHFA started operation it was found that most of them had been thrown out in favor of natural gas.

Electric water heaters are a joke. Even at the lowest TVA rates they are as expensive to operate as gas heaters and about twice as costly as oil. The EHFA specifications provide for a thirty-gallon tank and a 1½ kw heater. This is a heating capacity of less than 8 gallons of water per hour; it means that if the tank is emptied one must wait an hour and a half to get enough hot water for a bath, or that if four people bathe in succession the fourth will get cold water. The only advantage of the electric heater to the EHFA is that it uses a lot of juice, but a vigorous push of radios would sell so many units that the total electric consumption would be far greater than any sales efforts on heaters will produce.

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Farm motors and water supply outfits will be successful insofar as the rural electrification program is successful. In spite of the fact that the TVA built a lot of transmission lines with "free" CWA workers, and that it has produced a scheme for wiring rural districts without making the farmers pay their full share of the costs, it will be a long time before there is complete enough rural electrification to give much volume here. And although water supply systems in themselves are not particularly expensive, their installation is of little value to the consumer unless he also installs considerable expensive plumbing. The EHFA would do far better by its customers if it brought them cheap electric incubators, which often pay for themselves in one year through larger hatches of healthier chicks.

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People choose between two types of merchandise designed to do the same work by considering the relative first cost, operating cost and performance or convenience. Electric refrigerators have met wide acceptance because even where electric rates are exorbitant they are as cheap to operate as ice, and do a far better job of refrigeration. Electric ranges are sold extensively where there is no gas competition and where the electric rates are low enough to make their use economically possible. Electric water heaters have had some small success in the few rural areas where electricity is cheap, but the recent development of automatic oil heaters with far better performance is giving them overwhelming competition. Radios sell because they have become a necessity, and there is no equivalent competition. Automatic heating systems, powered by electricity, are becoming more popular all the time because of their cleanliness, convenience and economy. Air-conditioning units are becoming important merchandising factors because they fill an important need better and cheaper than any other means. Washers, ironer and other household labor saving appliances sell readily almost everywhere there is electricity because of their great convenience and low operating cost. Unfortunately, they do not consume enough electricity to interest the EHFA, although, like radios, they could be sold in such volume that their total influence on electric consumption would be enormous.

The announced retail rates for TVA current are: 3c per kwh for the first 50, 2c for the next 150, 1c for the next

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200, and 4 mills for the remainder consumed in any one month.

With rates like this, even ranges and water heaters would be fair items of merchandise, particularly when backed by the vigorous campaign of the EHFA and by the tremendous interest in electricity brought about by the TVA's opening of the public purse in the South. But, there is not a large area where these rates are available. The cities with populations totaling 200,000 which have signed up for TVA power will get these rates plus any reasonable surcharge to amortize the cost of line extensions, etc., which the cities may care to make. Knoxville, with over 100,000, is one of these cities. Unless the city succeeds in buying the local plant, it will be two years before these rates are available there.

When the Commonwealth & Southern sold the TVA transmission lines in the impoverished counties of northern Mississippi and Alabama, they got a contract in which the TVA agreed, with certain minor exceptions, not to compete with them in the territories they controlled until Norris Dam was completed. They also lowered their rates slightly, although they are still as high or higher than many northern cities which have not been blessed with TVA sponsorship. Consequently, although the EHFA will work with the utilities and dealers in selling appliances, the high operating cost will kill the sale of water heaters and seriously handicap the campaign for ranges.

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This means that efforts in Commonwealth & Southern territory will be much less effective than in the cities that have TVA rates, and this territory includes most of Georgia, Alabama and middle Tennessee, including the large cities of Nashville, Chattanooga, and Atlanta.

Much of the remaining territory is controlled by utility groups that are hostile to the entire TVA program, and are therefore outside of the territory in which dealers and customers are eligible for the EHFA plan. Whether it will be changed to include operations in these territories remains to be seen, but the present situation shows little fertile territory for EHFA operation.

The financing program is also open to many doubts, although it is through interest and charges that the EHFA will receive its income. Exact rates have not been announced, aside from the general statement that interest will be low. No extensive research has been conducted to determine the amount of credit losses which will be sustained through extending the period to three or four years. Five-to-fifteen-year terms, once given for home building, have been disastrous for many companies, and losses on credit rise sharply in the automobile business if terms are lengthened from one year to eighteen months. It seems very probable, therefore, that losses will be heavy, and, although dealers have contingent liability, much of the loss will have to be borne by the EHFA.

According to TVA publicity, electrical manufacturers fell into line with the EHFA because they saw that this drive would give them far greater volume and enable them to profit from the economies of mass production. Nobody knows just how much they were influenced in accepting the program by the threat of government manufacture. To anyone who knows the fungus-like growth of bureaucracy, it is conceivable that the manufacturers were willing to take a heavy loss rather than have government competition. They were up against a tough proposition.

In 1933 there were over 1,000,000 electric refrigerators produced and sold in the United States. The companies who have had models approved by the EHFA are big ones; they had a generous share of the 1933 business. They had all of the advantages of mass production, and it is hard to see how their costs will be lowered by a few thousand extra units in an entirely new model.

With seven manufacturers producing electric ranges for the TVA, and several more to come, it does not seem likely that any one of them will show a rushing increase in business. The same thing is true of water heaters, but to a much greater degree, for there are more companies competing, and heater sales therefore will be far smaller than range sales.

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From the standpoint of increased electrical consumption, it is doubtful if the EHFA will be of enough value to the TVA to justify the expense. At present the generating capacity of the Tennessee Valley is about 900,000 horsepower, which is, according to the TVA, 30 per cent to 40 per cent in excess of existing requirements. When the construction program is completed the capacity will be 3,000,000 or more horsepower. It is evident, therefore, that the increased consumption brought about by the EHFA is going to have little influence on the total resource of power. Yet the TVA rates, loudly proclaimed as a yard-stick for the nation, as a rate schedule that includes every legitimate charge of depreciation, financing, amortization, etc., are predicated upon the assumption that a large percentage of this power will be consumed. Since domestic demand will not absorb this supply, it will have to be consumed by heavy industry.

The TVA has had much to say about the small industries that are to offer part time employment to the local guinea pigs. It has said still more about the benefits to northern industry from its purchases of raw materials for the dams and from the EHFA program which is going to sell so many appliances. But it says little about heavy industry—since the northern states are putting up most of the $300,000,000 to $400,000,000 the project will cost, there might be some complaint if they realized fully that they were financing cheap power for the South which will take their industries from them.

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When Lilienthal speaks in the North or on a national radio hook-up he preaches the gospel of cheap electricity and low priced appliances in the home, he tells of the yard-stick of electric costs he is establishing and of how much value they will be by forcing reduction of electric rates throughout the nation, and he hammers the financing methods of utility groups, but preaches reform, rather than government ownership.

But when he speaks in the South it is a different story. On April 21, he spoke in Chattanooga on the "Future of Industry in the Tennessee Valley Region." Of public ownership he said, "Perhaps the most important factor in insuring a low cost for hydro-electric power in this region is the fact that the distribution of this power to the factories and home and farms, for the most part, will be in the hands of public agencies. . . . Under public distribution of power with centralized accounting, control and

(*Continued on page* 63)

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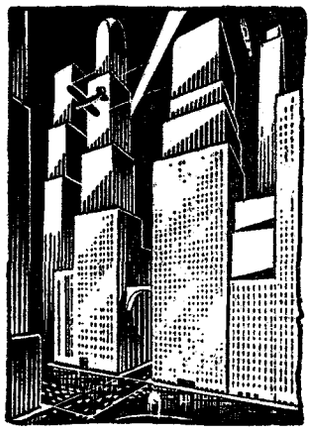
Talk of the Nation



Odd Jobs

A CHICAGO CORRESPONDENT writes in to report the discovery in that depression-harassed city of a man who has been riding out his personal economic storms of late on a home equipment luxury of better days. In those days, gone but not forgotten, he was a happily employed and well-paid member of the engineering department of a Chicago steel company. Such being the case and the times being what they were, his wife became an easy victim of that kind of advertising harangue which used the seeming logic, "You, Mrs. Housewife, why shouldn't you enjoy the same mechanical aids to easy work in your home which your husband enjoys in his office?" The question was graphically pointed up with contrasting illustrations of the labor-burdened wife trying to get through a day of housework without the assistance of the inventions of Alva Edison, et al., while Friend Husband was pictured as lolling through a day at the office surrounded by electrical pencil sharpeners, adding machines, dictaphones, mimeograph machines, and a lot of other similar gadgets. Well, the upshot of it was that they bought the electric washing machine.

Time marched on, in its fashion; Hoover lost his grip, the people voted, the New Deal came in, our engineer lost his job and early last spring things got so bad that he was seriously considering the necessity of going on relief. One morning of complete unemployment he got to fooling around with the electric washing machine. An idea dawned. He decided he had no false pride. For several months now he has been getting by by taking in washing, which he does rather nicely on his wife's washing machine.

The New Deal legislation also has been responsible for changing the nature of occupation for not a few people. We are reminded of this by the disheartening experience of a youthful acquaintance of this department's. Some years ago the young man in question decided he wanted to be a banker. His father was a banker—of the old school—and was naturally much elated when his son announced his decision on his life's career. The father decided that he would keep his son a banker—of the old school, and that before he became a banker too quickly he should learn something about the banking business. In vacations from college the son was permitted to work as messenger and sometimes even assistant to the assistant cashier in his father's bank in the South. After the son finished at the Harvard Graduate School of Business Administration he was shipped first to France, where he was apprenticed to an old long-established Paris banking house, and then for more training, to England, where banks almost never go broke in the good old American fashion.

None of his original youthful enthusiasm for banking did our young friend lose and the thorough training he was receiving gave every indication that he would be a much needed asset to the American banking fraternity.

His period of European training over, the young man was finally brought back to New York to begin his career. With his father's influence and his own splendid record, the young man secured a position with the Irving Trust Company of New York.

Then came January 16, 1929. It was on that day that the judges of the District Court of the Southern District of New York decided to try an experiment. Even in that still strong twilight of our mad prosperity there were not a few bankruptcies in New York. The good judges were convinced that there was too much chance for graft, inefficiency and jeopardy to the interest of creditors in just haphazardly designating any lawyer who happened to be around the court at the moment to act as receiver. So the decision was made to appoint the Irving Trust Company as standing receiver in all bankruptcies under their jurisdiction.

The result was interesting. In almost no time at all the bank was superintending the destinies of the International Match Corporation (what was then left of it), Radio-Keith-Orpheum, United Cigars, Cuba Cane Sugar, Cuban Dominican Sugar, the Savoy-Plaza Hotel, the Ambassador Hotel, the Shubert and the Fox Metropolitan Theatres, and a half dozen assorted and bankrupt brokerage houses.

The receivership division of the bank also found itself running speakeasy clubs, selling fertilizer and cinders, running barges and tugs and Hudson River boats, plumbing concerns, textile companies and fashionable clubs.

There was plenty of work to do, and shortly after the advent of our young banker friend into the New York banking world and after the court decision, he was transferred to the receivership department of the bank. It was with some chagrin that he had to write to his proud father a few weeks later that after years of preparation to be a banker he had arrived at last at a point where he was managing a bankrupt delicatessen store in the Bronx.

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The New Deal legislation, we are happy to report, has finally cut this Gordian knot. The bankruptcy law signed a while back by President Roosevelt says in effect that the good judge's experiment was all wrong and hereafter we must have no centralization of receivership business. This change of heart means that our young friend can go back into the banking business—where, of course, he has been all the time.

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More Fun—Aloft

IT HAPPENED on a late afternoon westbound transcontinental passenger plane a few weeks ago. One of the passengers (for a little while) was a combined practical joker and business man. In the latter capacity he had been summoned suddenly and urgently to Chicago. Not so sudden was the departure, however, that it was impossible for his wife to get ready in time to drive over to Newark Airport to see him off. There was also enough time for our passenger to stop in a cafe or two, both in New York and Newark, to reinforce himself with an uncounted number of cocktails and a few highballs. There was one passenger aboard at departure time who was feeling pretty good. The plane took off on schedule.

Westbound, it was only a few minutes out of Newark when the stewardess bounced up into the pilot's cockpit to report to the chief pilot that they had a passenger aboard who had no ticket, and what was more he said he didn't need any because he was a friend of the president's.

The pilot nodded his head and banked the ship. It came around quickly and was soon off its westbound course and heading back to Newark. To everyone's surprise it landed at the airport there and the pilot came back through the ship.

"Are you the man who says he hasn't got a ticket and that you don't need one on this airline?" asked the pilot of the right passenger.

"Oh, I was only fooling," said the somewhat disconcerted passenger. "The joke's on you. I've got my ticket." He produced it and added, "Let's get going."

"We're going to get going in a minute," said the pilot, "but I'm afraid you won't be with us. The air commerce regulations state that at the sole discretion of the pilot no passenger under the influence of liquor shall be carried. That's the law. You're drunk. And the joke is on you."

When the plane took off a few minutes later, it left on the ground a dumb-founded practical joker receiving a lecture of the ages from his very wrathful wife.

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Magna Charta

LIBERTY LOVING AMERICANS are notorious for their admiration of titles. Denied the chance to be hereditary Lords, Dukes, Viscounts and Earls by law, we love to set ourselves off from our fellow men with imposing Knights Errant of the Mystic Order, Grand Viziers of the Royal Circle, Exalted Commanders of this, that and the other thing. We are eager joiners of any lodge, fraternity or brotherhood that will promise us a chance at verbal distinction in a theoretical democracy, anything that will lift us out of the common rut of Smith, Jones or Schmalz. It is a well known failing. European visitors, knowing only the simple hierarchy that stretches down from King to ticket taker on the state railways, love to point it out. It proves what keen observers they are.

We're also pretty good at ancestor worship. Great families flourish and decay with us just as they do in England. The known descendants of the Mayflower passenger list, first, steerage and tourist third accommodation, would fill a hundred Leviathans. This is partly due to the laws of biology, which are very obliging on this point, but the fact that we like to remember it is due to a natural and most undemocratic pride in having possessed such distinguished forbears. Even out in the far and middle west, where things are supposed to be cleaner and simpler and less cluttered up with snobbery and the like, we are proud to recall that Grandfather Ezekiel came in from New England with the first covered wagon back, say, in 1840. It's a harmless amusement.

It is also one of our leading industries in the service field—as yet under no code or blanket regulations. No one knows quite how many millions of dollars annually go into uniforms, badges, shields, scrolls and charters, but the total must be staggering. Something like fifteen million people belong in lodges of one kind and another. Each one of them spends money in becoming and remaining a member. Much of the money goes for worthy purposes, for benevolence and mutual aid. A good slice of it goes to maintain the necessary corps of secretaries, organizers and paid helpers, to say nothing of the makers of gold braid and the strikers-off of parchments and illuminated tablets. In fact, if we suddenly lost our taste for such stuff, the unemployment figures would show an alarming rise.

The best pickings are in the ancestor game. Hunting out genealogies, printing them in a fine big book, and then selling the book to the lucky customers represented in it, is an old and vigorous profession. The technique is simplicity itself. First you acquire a list of names. If you're after big shots, you get it from Who's Who or from professional directories, or if your prospects are plainer folk, you use the telephone book or even the county tax rolls. Then you write the prospect a nice letter telling him how you're compiling a list of the distinguished people in his profession or neighborhood, and would he please answer a few questions about himself and the race he sprang from. The betting is a thousand to one that he will reply, giving you all the details you want and, in fact, more than you can use. Then all you have to do is print the book, paste a sticker with his name on it in the front, and send it to him. Check or money order follows.

Mostly these genealogies have been held to comparatively recent times. Back to the Mayflower or the Goodspeed or some other ocean greyhound of the time was felt to be enough. But one enterprising outfit has taken the business up in a bigger way. Calling itself the National Society Magna Charta Dames, it is content with nothing more recent than 1215, A.D. for its starting point. That year, you may recall, was the beginning of Anglo-Saxon liberty, when King John signed the paper that all our teachers say is at the bottom of our constitution, laws and liberties. Everything we enjoy now—jury trial, habeas corpus, bail and the like stem from the Magna Charta. Without it we would undoubtedly be groaning under purely Roman criminal codes, which fail lamentably to provide adequate protection for gangsters, bankers and income tax dodgers.

The National Society Magna Charta Dames realizing these blessings,

(*Continued on page* 64)

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Outlook Book Choices of the Season

Reviewed by Robert Cantwell

THESE ARE THE DAYS when the publishers' output of new books slacks off a little, in preparation for the fall season, days when reviewers have a chance to catch up on their reading. The daily book columnists report on those books about dogs and gardening they didn't have time to read when the new novels and biographies were coming out; the critics of the literary journals look back on the outstanding works, weigh them against one another and try to determine what new cultural trends are apparent. We are taking advantage of this lull to check back on some of the books we missed when they first appeared, and to make up a little shelf of the new titles that stand out as the most important of the spring and summer. Andre Malraux's "Man's Fate" (Harrison Smith-Robert Haas) must be one of the first selected for such a shelf, and if we can't call it the outstanding book of the month, because it came out last month, we can compromise by calling it one of the most important for the whole season.

Then there is "The Berlin Diaries," edited by Dr. Helmut Klotz, (Morrow) with a foreword by the correspondent, Edgar Ansel Mowrer, which we also missed when it appeared. It is valuable now for the insight it gives you into the recent bloody doings in Germany. There is Malcolm Cowley's "Exile's Return," (Norton) an account of the post-war literary generation that gives you an insight into the plight of a generation that refused to face such realities as those laid bare in "The Berlin Diaries." There is "A Chinese Testament," (Simon & Schuster) by San Shih-Hua and S. Tretiakov—this is going to be an extremely varied shelf—a book that backs up "Man's Fate" in that it also deals with the Chinese Revolution and gives you a sense of what it meant, not to an adventurous European with a taste for speculations on man's destiny, but to a Chinese student who was involved in the revolution because all Chinese students were. There is "Merchants of Death," (Dodd, Mead) by H. C. Engelbrecht and F. C. Hanighen, a study of the armament industry—one of those books which are all the more effective because they relate gruesome and terrifying facts in a level monotone. These are all, be it remembered, important books we didn't have an opportunity to comment on when they first appeared, not a selection of the most important of the whole season.

"Man's Fate" ranks first. It is a big book, complex and melodramatic, modern in the sense that it dramatizes modern attitudes and modern situations, old-fashioned in the sense that, as in the novels of Dostoevsky, the characters seem to be exclusively preoccupied with the solution of insoluable or, more exactly, irrelevant problems. The story is laid in China at the time of the revolution of 1927, at one of those critical moments in history when every decision that a human being can make carries a vastly increased load of social meaning. Indeed, it is not too much to say that it deals with one of the most dramatic events in the world since the War. Yet it is not a story of that revolution nearly so much as it is the story of a group of people, of very exceptional people, whose passions are brought to the highest pitch by the social drama that unfolds and who, in their different ways, represent different philosophies and different forms of human adjustment to the problem of death. These characters are acutely aware, acutely self-conscious, and are able and resolute people, so that their conflicts are raised to the highest level of consciousness—even such monsters as Ferral, the banker, and König, the chief of Chiang Kai-Shek's police, are great monsters, and the revolutionists, in their devotion to the cause and their resourcefulness and pride, are great revolutionists. The narrative speeds with the intensity and with some of the confusion of the actual revolution—there are assassinations, tortures, bombings, philosophical and political discussions, suicides, momentary release in love affairs, acts of desperation or narcotics; there is above all the sense of impending defeat and annihilation. Death is in the air, so close that everyone can almost feel it; it is no longer possible for men to act as if their own deaths would never occur or to free their minds of their approaching destructions. In this atmosphere everyone must locate his loyalties and know what value his life has, or has had. There is the escape through narcotics and the deadening of the senses, through activity so hazardous and nerve-wracking that in the avoidance of immediate dangers the final doom is forgotten, through the exercise of power, of control over the lives of others, through love and the surrender of one's life to another. In the end, out of all the rush of individual grapplings with death, the story moves into the startling climax where a mass of revolutionists face the firing squad and the most horrible of deaths that the death-ridden imaginations of men can conceive—burning alive or prolonged

(*Continued on page* 58)

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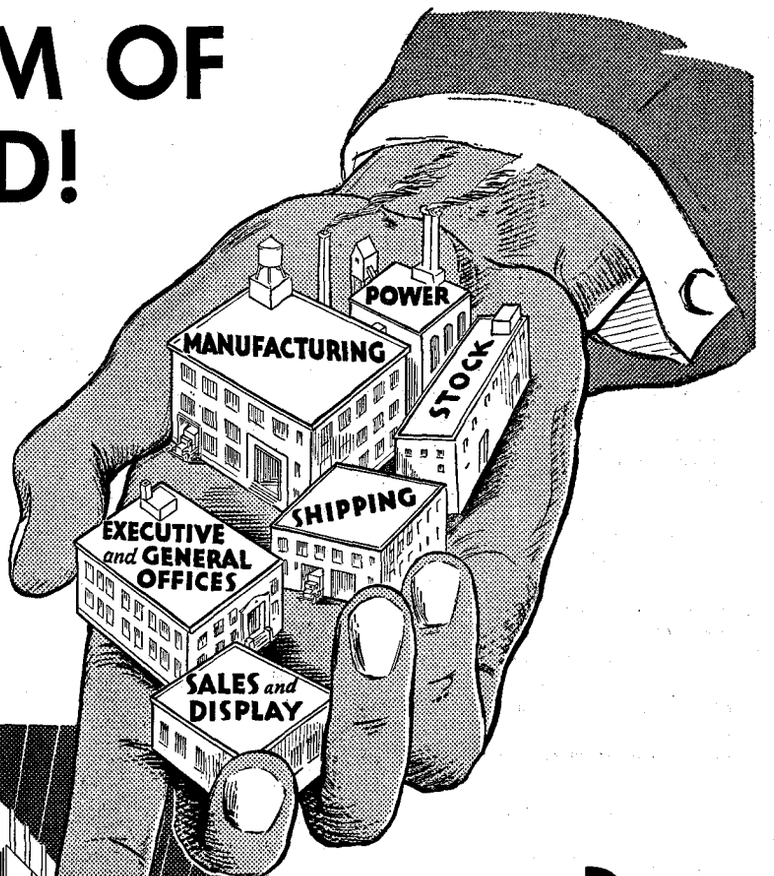

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BOOKS

(*Continued from page* 56)

tortures whose end is known before they begin—a scene in which men are so stripped of power that the privilege of self-destruction becomes something that is attained only after profound sacrifice.

Two other books recently published, and dealing in part with the same event, show us at once Malraux's genius and his limitations. The first is "A Chinese Testament," the story of a less exceptional figure involved in the fighting. The other is Alfred Rosenberg's "A History of Bolshevism" (Oxford Press) which includes a critical analysis of the Chinese Revolution by a follower of Leon Trotsky—an historian who is particularly interested in showing the consequences of the policies followed by the Third International. Dr. Rosenberg's book makes it clear that the period covered in "Man's Fate" was one of the most decisive in modern history. From 1924 to 1927 a great movement for the national liberation of China was under way—a movement directed against the foreign powers and the native landlords, and led by Chiang Kai-shek and the Koumintang in alliance with the Communists. Though the alliance was at best insecure for the Koumintang was to a great extent made up of members of the middle-class who were hostile to Communism, the movement was, nevertheless, successful and in 1927 Shanghai was won. For a period the possibility that China would become a Communist state was strong; the masses of the people were sympathetic to Communism and Dr. Sun-Yat-Sen, their popular idol, had before his death worked for a close relationship between China and Soviet Russia. With Chiang Kai-shek's seizure of power, however, the Koumintang, always at the point of splitting into its radical and conservative members, turned against its Communist allies and exterminated them. According to Dr. Rosenberg, Chiang Kai-shek was forced to take this action because the Communists had been dealing with the radicals within the Koumintang in an effort to overthrow him. At any rate, what is pertinent to a discussion of Malraux's book is that the Communists were not simply defeated. They were exterminated. For weeks the extermination was carried on, until thousands had been killed, the revolution put down by force and Chiang Kai-shek, to gain

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Other stories, articles, poems, reviews.

ON THE STANDS NOW

AUGUST, 1934

support for his government, driven ever more deeply into an alliance with the very foreign powers he had lately been attempting to drive out of China. To Dr. Rosenberg all this is a result of the vacillations of the Third International: the Communists now struggled against Chiang Kai-shek and now prevented their members from struggling against him, now acted with him while at the same time attempting to undermine his control.

It is a very different picture that emerges from "A Chinese Testament." This is the autobiography of a Chinese student as told to a Russian professor who was in China in that period of turmoil. For the most part the book deals with the boyhood of Tan Shih-Hua, and recaptures, in sometimes bitter, sometimes nostalgic chapters, the flavor of Chinese provincial life. But toward the end the revolution enters, with some chapters told by Tan Shih-Hua and some by the professor who was also his friend. Before the struggle began the relationship between the two was close, and the professor, who was one of the many Russian advisors in China at that time, was a powerful influence. When the actual fighting began the relationship becomes confused, and the refrain is repeated again and again: "I did not see Tan Shih-Hua for a long time." "One day Tan came into my room." Reading between the lines it is easy to see that in a moment of crisis the relationship of the Russian Communists and the students was broken. Where in the early days the students had appealed to the Russian for advice and information, towards the end, when all foreigners were hated and feared, they looked upon them with suspicion and distrust.

•

Road to Riches

(*Continued from page* 37)

falls and bad practices of investors are beyond the pale of legislation. Among these are: Buying any security without adequate information; incorrectly interpreting information; buying at the wrong time (1) Into the wrong industry; (2) The wrong company; averaging down on issues held at a loss to make up that loss; buying securities because they are selling considerably below previous highs; buying securities simply because they are high grade without regard to price; buying on a current high yield basis only; buying on dividend record without regard to

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future prospects; buying into companies which have limited growth possibilities; buying into companies which have passed their zenith of growth; buying without considering the current position of the industry; buying without knowledge of the position of the business cycle; concentrating in a particular company or industry. Following tips and pools; following friendly advice (Inside information); operating on borrowed money at the wrong time; becoming over-extended at any time; neglecting to retain proper reserve purchasing power; buying unproven issues; refusing to take a loss in order to switch from bad situations into good ones; getting panicky at a time when sound judgment is vital; misjudging the possibilities of inflation; under-estimating the effects of inflation; bias or affection for some pet stock; buying foreign securities without a knowledge of the political and economic stability of the country; buying securities without knowing if they fit his individual requirements; buying securities that look as though they have attractive convertible or stock purchase features; having a list of securities improperly diversified as to risk and unsuited to current economic and financial conditions.

The foregoing principles and policies seem complicated and involved. In essence, they are logical and simple. Their application, however, calls for common sense, intelligence, training, study, reflection, judgment and vision—and especially much use of the pencil. Investing is largely arithmetical and as Lord Kelvin said of science, "Our knowledge begins when we can measure what we are talking about and express it in numbers."

But these qualities of application are fruitless unless correlated to principles that are sound. Otherwise, the edifice rests on quicksand. The investor must approach his portfolio with the same throughness that characterizes success in the management of business. If not his only business, it is *always his other business*—his secondary source of income and economic security. Aside from success in his own business or vocation, adherence to these principles provides the only ROYAL ROAD TO RICHES.

This is the second of a series of articles on current economic questions by Ambrose W. Benkert, Chairman of the Board of Brookmire, Inc. A third article will appear in an early issue.

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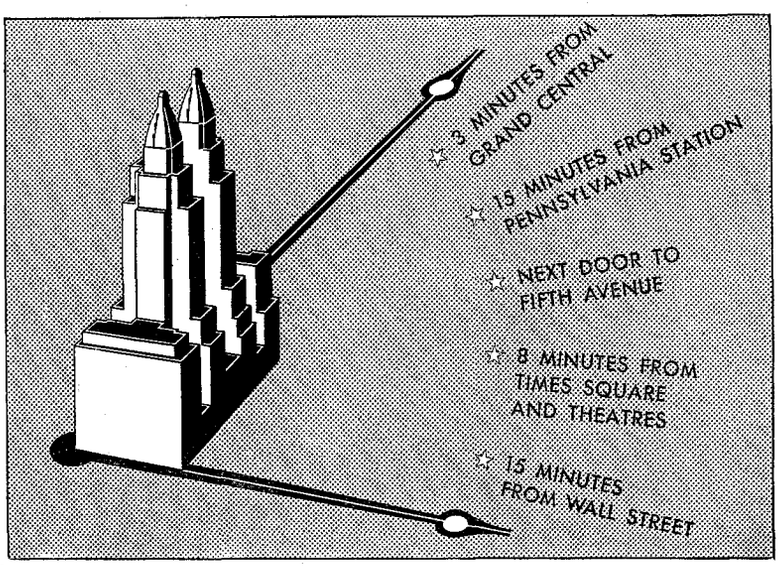
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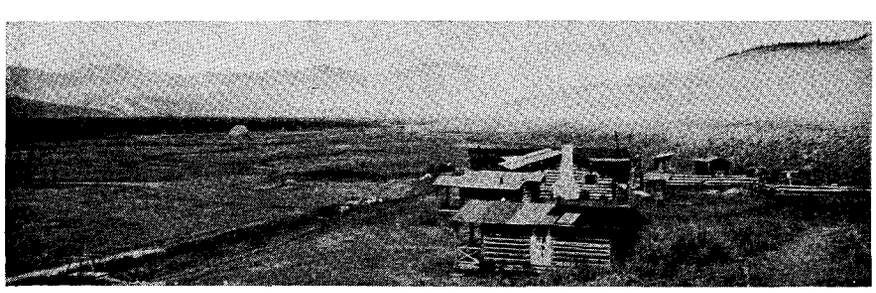

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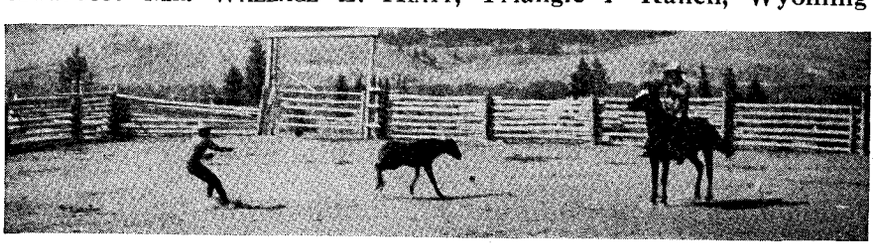

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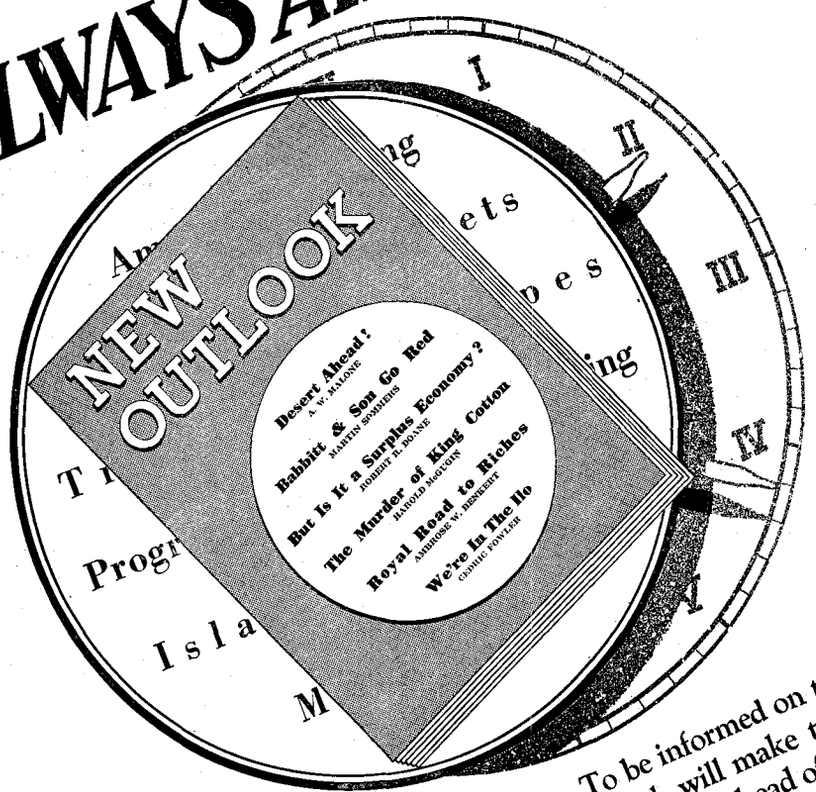

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Uncle Sam Peddler

(*Continued from page* 53)

supervision in the hands of a regional authority be the greatest incentive to economy and managerial efficiency."

Then he spoke of industrial development: "Although we are bending every effort to greatly increase the use of electricity in the home and on the farm, it is obvious that only large-scale industrial expansion will absorb the great pool of power which is thus being created. . . . The point I should like to make now is to repeat my conviction that it is the Authority's duty, as well as its privilege, to encourage the growth of large-scale industry."

It is easy to understand that even an astute individual like Mr. Lilienthal can make grievous mistakes when he wanders into the strange field of merchandising. There seems little question that the stupid policies of the EHFA are due to his lack of merchandising experience and his reliance on inexperienced advisers (the advertising agency handling the EHFA account was not hired until months after the preliminary plans had been announced). But there are two questions which are very hard to answer:

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Occupations

(*Continued from page* 4)

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shirt of a certain color, or a youth movement. Try cultivating your imagination for something as prosaic as work, for instance, in banking. It can be very exciting, and might lead to undreamed of possibilities for service and personal satisfaction.

I know you will feel that I am generalizing too much. Why does one, you will ask, take special training for a profession or a particular kind of work if one doesn't "choose a career" or work doesn't require special training? This is one of the vexing questions of our time. Special training is all right if you can use it. But you may find, after you have gone to the trouble and expense of getting it, that you can't use it. Hold it in reserve while you make a mental survey of the various fields of activity about you today. It may come in very useful to you, but again you may not be able to earn a living. Devote your time and thought to discovering how you can fit into the picture presented by the economic and social activity about you. Forget about the career. There are no trustworthy recipes for choosing a career except those which you and your contemporaries can reconstruct as you go along.

Activity (work) is a fluid, changing, shifting process. We have to be explorers, especially today, if we would keep in harmony with the process. Kipling's poem, The Explorer, written in 1892, can be taken literally today about many fields. . . .

"There's no sense in going further—
it's the edge of cultivation,"
So they said, and I believed it,— . . .
Till a voice as bad as Conscience, rang
interminable changes
On one everlasting Whisper day and
night repeated—so—
Something hidden, Go and find it. Go
and look behind the Ranges—
Something lost behind the Ranges. Lost
and waiting for you.
Go!

Finding your occupation and securing a job are not synonomous. Exploring for the occupation is a hazardous journey. But it may and probably will lead you in pleasant by-paths. Securing a job—any job—is part of the process. As Kipling said in the poem just quoted "Saul he went to look for donkeys, and, by God, he found a Kingdom!" You do not know but what your job-seeking may lead to the discovery of life work as thrilling and as satisfying as that which the "big shots" of today seem to be enjoying.

Talk of Nation

(*Continued from page* 55)

has formed itself to protect and commemorate them. You may further recall that the blessings were extracted from King John by a self appointed union of Barons, some twenty-five in number. Casting about for suitable ways of celebrating the memory of the original committee, the organizers of the Society also discovered that seventeen of the Barons had been foresighted enough to leave descendants, living to this day. With the help of history books, genealogical dictionaries, and the Royal College of Heralds, the Society hunts out these descendants and invites them to join.

Like all societies of its kind, the Magna Charta Dames has its aims and objects. These are, briefly: "the privilege and responsibility of gathering from scattered pages of history the records of their (the Barons') heroism, a record which becomes both a DOWER and a TRUST, the historical relevance of which it behooves us to cherish." But this is not all. The Dames also hold fast to the ETERNAL VERITIES. Representing as they do "the Heroism, Devotion and Initiative of their noble Ancestors," it is distinctly up to them to combat "the unrest of the world today." They are anti-materialistic, regarding the wealth and privileges which they may possess merely as a Stewardship, a sacred responsibility which they hold only for the common good. What the common good may be is not specifically defined, since the Society is both non-political and non-sectarian. Its Vice-President, however, has put the Society definitely on the record as cpposed to Mahatma Ghandi, in an address to the members three years ago. Nobody knows how they stand on the New Deal.

It is easy enough to join, once the Society decides to have you in as a member. The Society will establish your ancestry for you, send you a fine olluminated scroll plotting it out, a badge with the Baronial Colors, *or* and *gules,* and a simple Recognition Pin for informal wear. Membership is for life.

Author's Note

(*from Page* 9)

ROBERT R. DOANE, author of "But Is It a Surplus Economy?" is the director of research of the National Survey of Potential Product Capacity, the first findings of which he reports in the opening article in this issue of NEW OUTLOOK.

As general supervising director of the survey both in New York and Washington, Mr. Doane's story of the startling findings of the survey is in every sense of the words, official and authentic. In this article, the first of a series which will deal with the meaning, significance and implications of the NSPPC, Mr. Doane has made reference to his associates and principal workers in the survey. Mr. Doane, a frequent contributor to NEW OUTLOOK is the author of *"The Measurement of American Wealth,"* and is co-author of *"The American Consumer Market."* Articles by Mr. Doane which have appeared in NEW OUTLOOK *include* "A Short History of Debt," "You, the Consumer," and "Price and Prices."

In presenting the first report on the work of the NSPPC, the editors of NEW OUTLOOK are in agreement with Mr. Doane when he expresses surprise that not until now has it occurred to those who would seek to develop a logical program for the progress of the nation first to equip themselves with a quantitative inventory covering the entire economy of the United States, which is the principal objective of the labor of the NSPPC. That such an inventory has at last been made is proof of the importance and value of Mr. Doane's articles.

The editors also believe that the report of the findings of the NSPPC should prove of great worth in the current effort to understand and correct the pessimism underlying American business today, and which is doing so much to retard recovery. It is a defensible thesis that much of this pessimism is directly attributable to the popular thought that we exist in a total surplus economy, that there is no more need for individual effort, or no justification for the further expansion of our producing plant structure, and further that the only solution to our economic problem is some violent redistribution of our super-abundance, such as that proposed by the technocrats or the communists. The NSPPC is now able to show that that underlying concept of abundance is a false concept.

Attempts at various interpretations of the meaning of what the NSPPC has found no doubt will be forthcoming. Such discussion in the end can only be completely worth while.

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